

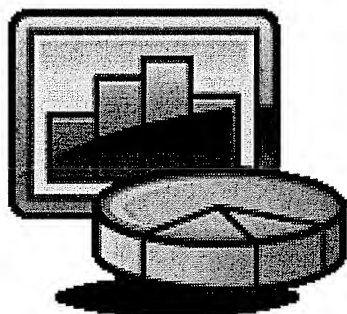
*Creating a University System  
for the 21st Century*

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# **Annual Financial Report**

**Fiscal Year Ended  
June 30, 2007**

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**NORTH DAKOTA**  
**UNIVERSITY SYSTEM**

**The Vital Link to a Brighter Future**



# **NORTH DAKOTA UNIVERSITY SYSTEM**

## **ANNUAL FINANCIAL REPORT**

Fiscal Year Ended  
JUNE 30, 2007

Prepared by the Director of Financial Reporting  
North Dakota University System Office



**The Vital Link to a Brighter Future**

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# **NORTH DAKOTA UNIVERSITY SYSTEM**

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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVE. - DEPT. 117  
BISMARCK, ND 58505

**INDEPENDENT AUDITOR'S REPORT**

Honorable John Hoeven, Governor

Members of the Legislative Assembly

The State Board of Higher Education

We have audited the accompanying financial statements of the business-type activities of the North Dakota University System and its aggregate discretely presented component units as of and for the year ended June 30, 2007 which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units listed in Note 1. Those financial statements and reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on those financial statements and reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota University System are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the state of North Dakota that is attributable to the transactions of the North Dakota University System. They do not purport to, and do not, present fairly the financial position of the state of North Dakota as of June 30, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the North Dakota University System as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2007, on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota University System's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining statement of net assets, the combining statement of revenues, expenses and changes in net assets, the combining statement of cash flows and the schedule of bonds payable have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statement of net assets - non-major component units, the statement of revenues, expenses, and changes in net assets - non-major component units and the financial information for revenue producing buildings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Robert R. Peterson  
State Auditor

December 11, 2007

# NORTH DAKOTA UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

The North Dakota University System's (the "System") discussion and analysis (MD&A) provides an overview of the System's financial activities and issues for the year ended June 30, 2007. It is designed to focus on the current year's activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

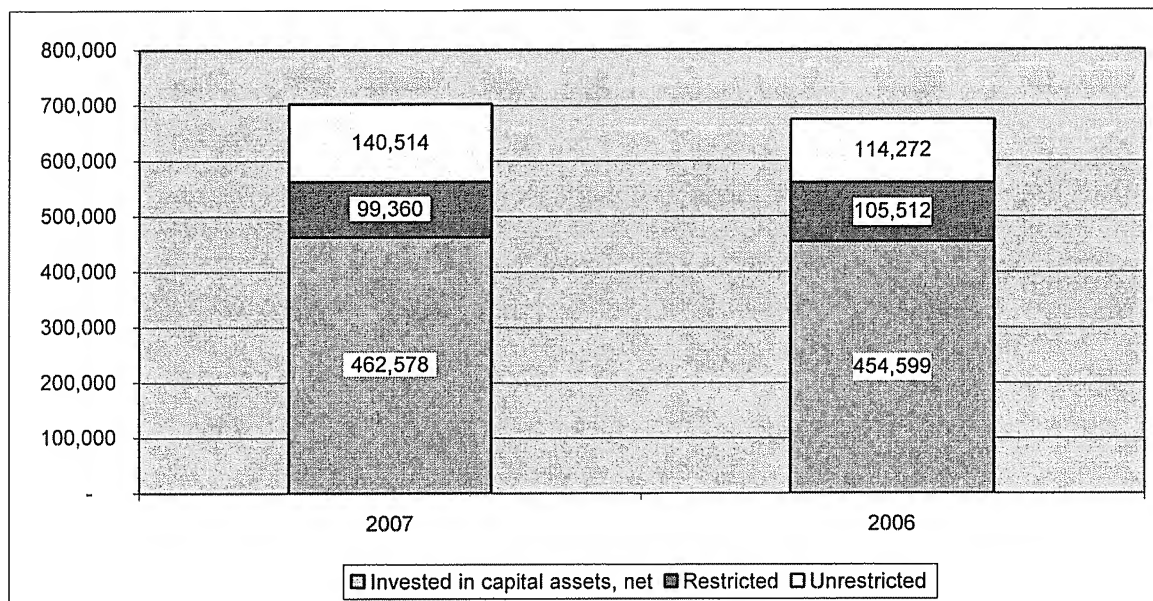
This discussion provides an overview of the financial position of the System for the year ended June 30, 2007 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

Activities from the eleven public post-secondary campuses, the North Dakota University System Office, and the System's component units are included in the accompanying financial statements. For a detailed listing of these entities, refer to Note 1 of the accompanying financial statements.

## FINANCIAL HIGHLIGHTS

The System's overall financial standing continues to be sound with total assets of \$1.037 billion and total liabilities of \$335 million, resulting in a net assets total of \$702 million (an increase of \$28 million over the fiscal year). The System has done well in managing its financial resources and is better off as a result of the current year's activities. Total operating revenues increased 3 percent primarily as a result of increases in tuition, room and board rates. Total operating expenses were held to an increase of 4 percent.

Total net assets were \$702 million at June 30, 2007 and \$674 million at June 30, 2006. The following graph illustrates the net asset breakdown for fiscal years ending June 30, 2007 and 2006:



As a percent of total net assets, invested in capital assets (net of related debt) is the largest category of net assets due to the significant size of the System's physical infrastructure.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information on the System as a whole and present a long-term view of the System's finances. Refer to Note 1 in the accompanying financial statements for activities included in the System's basic financial statements.

The statements assist in answering the question "Is the System as a whole financially better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the System as a whole and on its activities in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

Other non-financial factors, such as the condition of the campuses infrastructure, changes in legislative funding and changes in student enrollments need to be considered in order to assess the overall health of the System.

## **STATEMENT OF NET ASSETS**

The Statement of Net Assets presents the financial position of the System at one point in time and includes all assets and liabilities of the System. Net assets are the difference between assets and liabilities and may be thought of as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net assets are an indicator of whether its financial health is improving or deteriorating.

Assets and liabilities are classified as either current or noncurrent. Current assets are those resources that are convertible to cash within one year and are available to satisfy current liabilities. Current assets include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are mainly long-term investments and property and equipment. Current liabilities are those obligations of the System that are due within one year of the statement date. Noncurrent liabilities are comprised of long-term debt and other obligations of the System.

Net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets (both nonexpendable and expendable); and unrestricted net assets. Net assets invested in capital assets, net of related debt, consist of capital assets less the balance of the outstanding debt incurred during the construction or improvement of those assets. Restricted net assets are limited in use due to the constraints put in place by the donors or by law. Unrestricted net assets are those assets that do not qualify as either invested in capital assets, net of related debt, or restricted net assets but may have Board or other campus designated restrictions on use.

Unrestricted net assets encompass a wide array of core operational functions of the campuses. The balances shown are not only cash balances, but consist of investments, accounts receivable, inventories, and other non-liquid assets. Operating cycles create significant balance fluctuations during the fiscal year. Therefore, although some funds are not yet expended as of a particular point in time, they are generally designated for specific uses.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## JUNE 30, 2007

The following table shows the Condensed Statement of Net Assets at June 30, 2007 and 2006:

### Condensed Statement of Net Assets June 30, 2007 and 2006 (in Thousands)

	2007	2006	Dollar Change	Percent Change
Current assets	\$ 223,532	\$ 212,932	\$ 10,600	5%
Capital assets, net	681,625	636,286	45,339	7%
Other noncurrent assets	132,195	160,091	(27,896)	-17%
Total assets	<u>\$ 1,037,352</u>	<u>\$ 1,009,309</u>	<u>\$ 28,043</u>	<u>3%</u>
Current liabilities	\$ 79,569	\$ 70,113	\$ 9,456	13%
Noncurrent liabilities	255,331	264,813	(9,482)	-4%
Total liabilities	<u>\$ 334,900</u>	<u>\$ 334,926</u>	<u>\$ (26)</u>	<u>0%</u>
Invested in capital assets, net	\$ 462,578	\$ 454,599	\$ 7,979	2%
Restricted	99,360	105,512	(6,152)	-6%
Unrestricted	140,514	114,272	26,242	23%
Total net assets	<u>\$ 702,452</u>	<u>\$ 674,383</u>	<u>\$ 28,069</u>	<u>4%</u>
<b>Current Ratio</b> (current assets to current liabilities)	<u>2.8</u>	<u>3.0</u>		
<b>Primary Reserve Ratio</b> (expendable net assets to operating expenses)	<u>0.30</u>	<u>0.28</u>		

Total assets increased \$28.0 million during fiscal year 2007 to a total of \$1.037 billion. Cash and equivalents decreased \$28.2 million and investments increased \$31.5 million. Grants and contracts receivables decreased \$9.4 million. Net capital assets increased \$45.3 million for net additions to property and equipment less depreciation expense, as discussed in a later section of this MD&A.

Total liabilities held even at \$335 million at June 30, 2007 from June 30, 2006. Accounts payable and accrued liabilities increased \$6.7 million due primarily to timing of billings. Long-term liabilities decreased \$9.5 million, as discussed in a later section of this MD&A.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2007 was 2.8 to 1, which indicates the System's current assets are three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

Total net assets increased \$28 million during fiscal year 2007 as a result of the year's activity.

The primary reserve ratio (calculated by dividing expendable and unrestricted net assets by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2007 is .30 to 1, which indicates in an emergency situation, the System could continue its current operations for approximately 16 weeks.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## JUNE 30, 2007

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets provides information about the System's activities during the year by reporting all the revenues and expenses for the year. In the Statement of Revenues, Expenses and Changes in Net Assets, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the System's operating results.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues are revenues earned by the System in exchange for its goods and services, such as tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses are expenses incurred during the normal operations of the System and include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services. Nonoperating revenues and expense are those derived from non-exchange transactions. Examples include: insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. Even though state appropriations fund operating expenses, they are classified as nonoperating revenues as the Government Accounting Standards Board has ruled that they are not an exchange for goods or services. Other nonoperating items that are reported separately at the bottom of the statement include capital related transactions – appropriations, gifts, grants and transfers.

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2007 and 2006:

**Condensed Statement of Revenue, Expenses, and Changes in Net Assets**  
**June 30, 2007 and 2006 (in Thousands)**

	2007	2006	Dollar Change	Percent Change
Operating revenues	\$ 530,103	\$ 516,606	\$ 13,497	3%
Operating expenses	761,183	734,116	27,067	4%
Operating loss	(231,080)	(217,510)	(13,570)	6.2%
Nonoperating revenues (expenses), net	253,948	240,980	12,968	5%
Income (loss) before capital grants, gifts, and transfers	22,868	23,470	(602)	-3%
Capital appropriations, grants and gifts	11,186	11,480	(294)	-3%
Transfers	(5,985)	(6,589)	604	-9%
Increase (decrease) in net assets	<u>\$ 28,069</u>	<u>\$ 28,361</u>	<u>\$ (292)</u>	<u>-1%</u>
<b>Tuition and Fees Funding Ratio</b> (tuition and fees to operating expenses)	<u>29%</u>	<u>27%</u>		
<b>Net Income Margin</b> (increase in net assets to total revenue)	<u>3.5%</u>	<u>3.6%</u>		

From June 30, 2006, operating expenses increased 4 percent while operating revenues increased 3 percent, resulting in resulting in a 6.2 percent increase in the operating loss for fiscal year 2007 as compared to fiscal year 2006. Net income margin, calculated by dividing increase in net assets by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2007 is 3.5 percent. A positive margin is good, as it signifies the System is not spending more than it's taking in.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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**Revenues**

The following table shows revenues by source for the fiscal years ended June 30, 2007 and 2006:

	<b>June 30 (in Thousands)</b>		<b>Dollar</b>	<b>Percent</b>
	<b>2007</b>	<b>2006</b>	<b>Change</b>	<b>Change</b>
<b>Operating revenues</b>				
Student tuition and fees	\$ 218,669	\$ 201,783	\$ 16,886	8%
Grants and contracts	180,833	191,402	(10,569)	-6%
Sales and services of education departments	44,360	41,389	2,971	7%
Auxiliary enterprises	80,758	80,608	150	0%
Other	5,484	1,424	4,060	285%
Total operating revenues	<u>\$ 530,103</u>	<u>\$ 516,606</u>	<u>\$ 13,497</u>	<u>3%</u>
<b>Nonoperating revenues, capital gifts and grants</b>				
State Appropriations	\$ 225,920	\$ 211,243	\$ 14,677	7%
Federal appropriations	4,295	6,002	(1,707)	-28%
Federal grants and contracts	100	87	13	15%
Gifts	21,583	19,780	1,803	9%
Investment income	14,533	7,692	6,841	89%
Insurance proceeds	1,042	408	634	155%
Tax revenues	2,322	2,146	176	8%
Gain on sale of capital assets	-	3,025	(3,025)	100%
Other nonoperating, net	-	801	(801)	100%
State appropriations-capital assets	3,871	5,567	(1,696)	-30%
Capital grants & gifts	7,314	5,913	1,401	24%
Total nonoperating revenues, capital gifts	<u>\$ 280,980</u>	<u>\$ 262,664</u>	<u>\$ 18,316</u>	<u>7%</u>
<b>Total Revenues</b>	<u><u>\$ 811,084</u></u>	<u><u>\$ 779,270</u></u>	<u><u>\$ 31,814</u></u>	<u><u>4%</u></u>

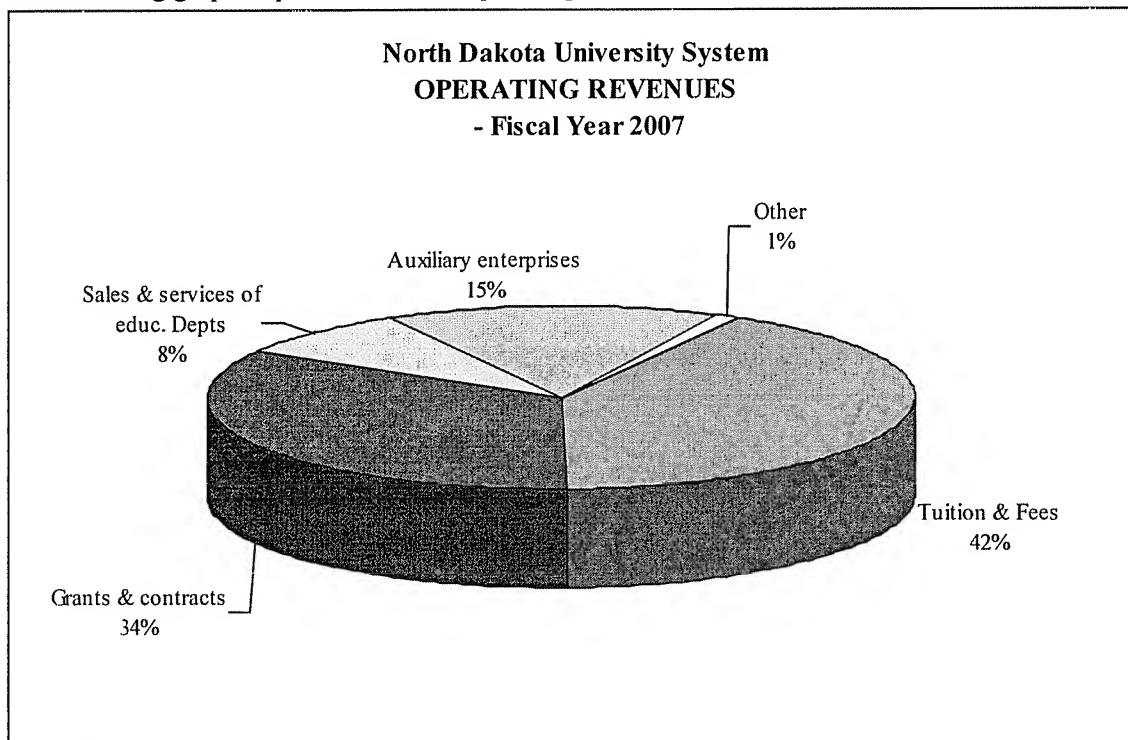
Tuition and fee revenues increased 8 percent from fiscal year 2006. Grant and contract awards (under operating revenues) decreased 6 percent in fiscal year 2007. Within this total, federal and state grants and contracts revenue decreased \$9.1 million. Private grants and contracts revenue decreased \$1.5 million in fiscal year 2007. The campuses continue to put forth significant effort to secure grant funding.

Revenues from auxiliary enterprises such as housing, bookstore and foodservice held even for fiscal year 2007.

State appropriations, excluding capital assets, increased 7 percent from fiscal year 2006 due to an increase in the general fund appropriation for the 2005-07 biennium.

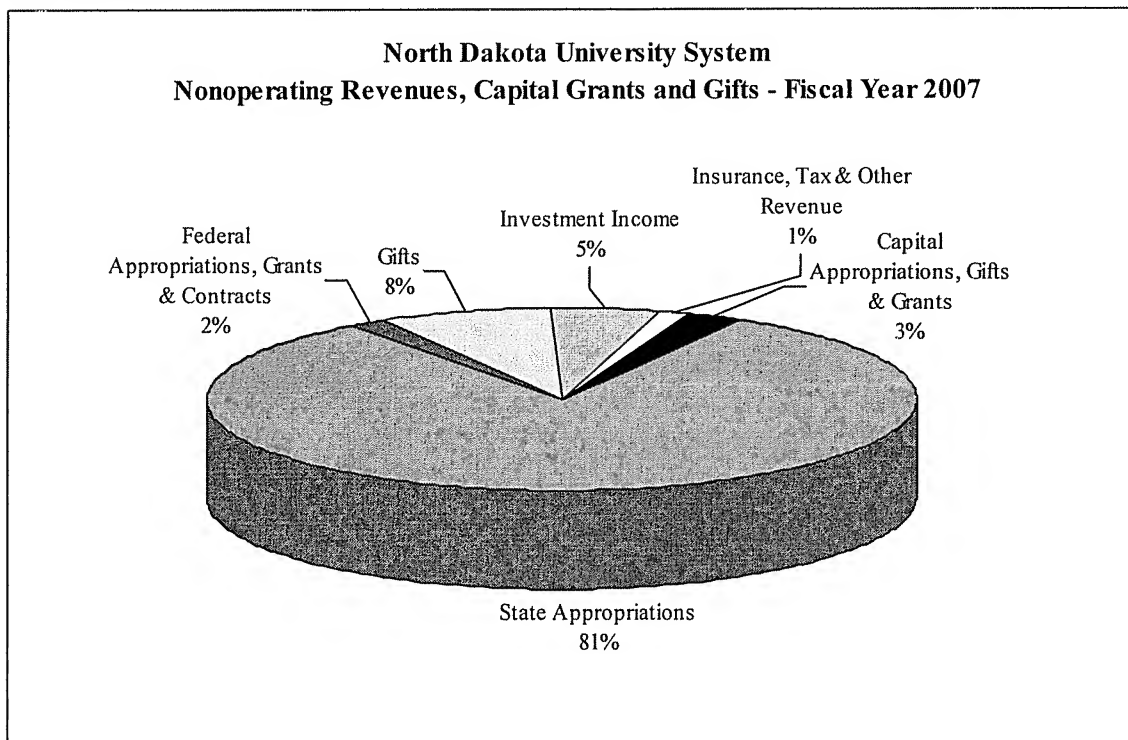
Investment income increased 89 percent over fiscal year 2006, due to improved market conditions and an increase in investment balances.

The following graph depicts sources of operating revenues for fiscal year 2007:



In fiscal year 2007, tuition and fees funded 42 percent of operating expenses as compared to 39 percent in the previous fiscal year. The increase was a result of rate increases.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2007:



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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**Expenses**

The following table shows expenses by natural classification for the fiscal years ended June 30, 2007 and 2006:

	<b>June 30 (in Thousands)</b>		<b>Dollar</b>	<b>Percent</b>
	<b>2007</b>	<b>2006</b>	<b>Change</b>	<b>Change</b>
<b>Operating expenses</b>				
Salaries and wages	\$ 468,181	\$ 461,643	\$ 6,538	1%
Operating expenses	183,415	175,398	8,017	5%
Data processing	13,034	13,775	(741)	-5%
Depreciation expense	39,353	38,214	1,139	3%
Scholarships and fellowships	23,737	21,670	2,067	10%
Cost of sales and services	33,463	23,416	10,047	43%
Total operating expenses	<u>\$ 761,183</u>	<u>\$ 734,116</u>	<u>\$ 27,067</u>	<u>4%</u>
<b>Nonoperating expenses</b>				
Interest on capital asset related debt	\$ 12,258	\$ 9,512	\$ 2,746	29%
Loss on sale of capital assets	1,490	-	1,490	100%
General and special grant expenditures	748	691	57	8%
Other nonoperating, net	1,350	-	1,350	100%
Total nonoperating expenses	<u>\$ 15,846</u>	<u>\$ 10,203</u>	<u>\$ 5,643</u>	<u>55%</u>
<b>Total expenses</b>	<u><u>\$ 777,029</u></u>	<u><u>\$ 744,319</u></u>	<u><u>\$ 32,710</u></u>	<u><u>4%</u></u>

Salaries and wages expense for the System increased by 1.4 percent in fiscal year 2007. Operating expenses, including travel, office expenses, supplies, utilities, repairs, rents and leases, fees, instructional supplies and other general expenses, increased 5 percent in fiscal year 2007 which is consistent with the increase in inflation of 5.1 percent, as measured by the change in the Consumer Price Index.

Scholarships and fellowships expense increased by 10 percent primarily due to increases in the dollar amount of total waivers as a result of increased tuition rates.

Cost of sales and services increased 43 percent as a result of a change in the method in which recharge center revenue were offset.

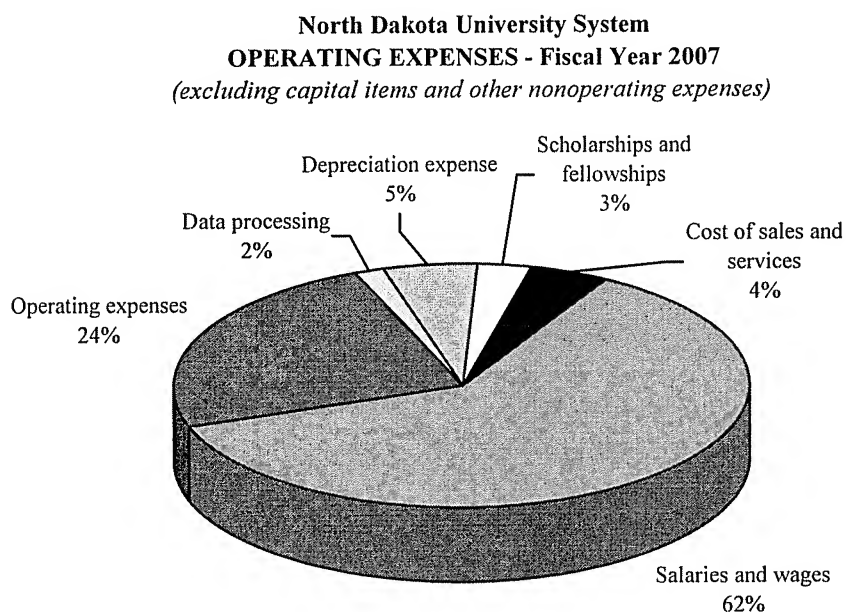
Interest on capital asset related debt increased 29 percent in fiscal year 2007 due to higher interest rates and additional debt in the first part of fiscal year 2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

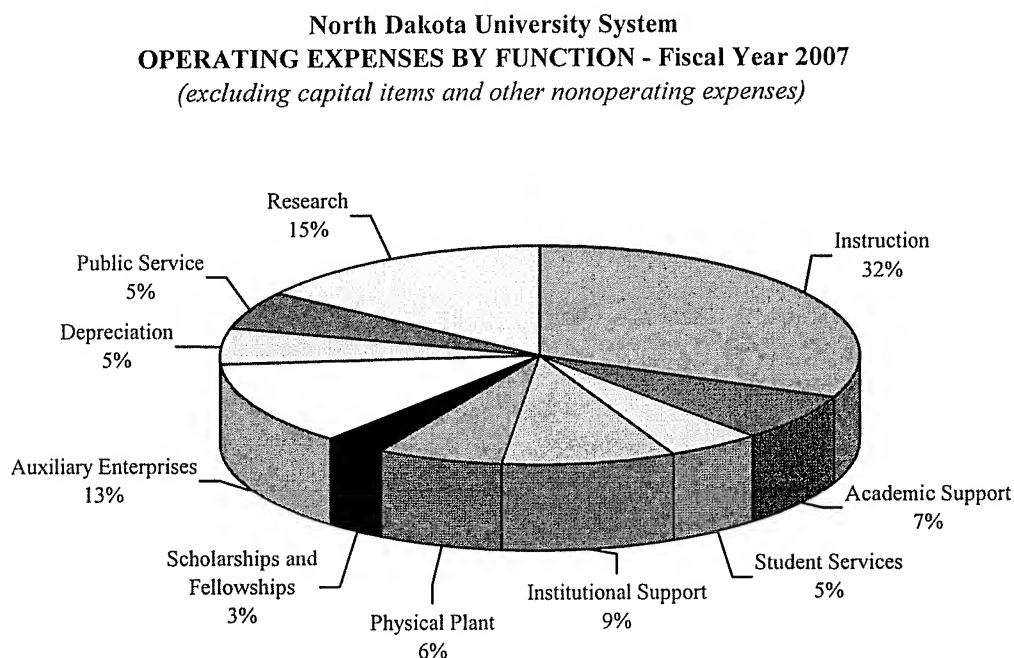
### JUNE 30, 2007

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The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2006. The following chart depicts the uses of operating funds according to natural classification for fiscal year 2007:



In addition to their natural classification, it is also informative to review operating expenses by function. The following chart illustrates operating expenses by function for fiscal year 2007:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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The allocation of expenses to functional areas has not changed significantly from prior year.

*Instructional expenses*, at 32 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance ed and continuing education) and instructional support. *Academic support* includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. *Student services* include all offices that provide a specific service to students, including career services, registration, admission and counseling. *Institutional support* includes staff that support the institution as a whole (e.g. business office, IT support and president's office). The *physical plant* function includes upkeep, maintenance and utilities for campus facilities. *Scholarships and fellowships* include aid provided to students. *Auxiliary enterprises* are the self-supporting activities of the campuses, such as bookstore, food service and housing. *Depreciation* represents the non-cash expense of capitalized assets over time. Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution. All activities specifically organized to produce research, which is mostly federally funded, is included in the *research function*.

### STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows inflows and outflows of cash without regard to accrual items. *Cash flows from operating activities* on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) because of the inclusion of noncash items, such as depreciation expense, on the SRECNA. Also, the SRECNA is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and, scholarships to students.

State appropriations are the primary source of *cash flows from noncapital financing activities*. Accounting standards require that we reflect this source of revenue as nonoperating, even though the campus budgets depend on this to continue the current level of operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

*Cash flows from capital and related financing activities* include all plant funds and related long term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations. Purchase and sale of investments and income earned on investments are included in *cash flows from investing activities*.

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2007 and 2006 is shown below:

#### Condensed Statement of Cash Flows June 30, 2007 and 2006 (in Thousands)

	2007	2006
Cash flows from operating activities	\$ (177,452)	\$ (179,415)
Cash flows from noncapital financing activities	261,772	225,416
Cash flows from capital and related financing activities	(94,696)	7,043
Cash flows from investing activities	(17,846)	(32,751)
Increase (decrease) in cash and cash equivalents during the year	<u>\$ (28,222)</u>	<u>\$ 20,293</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2007

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Consistent with accounting standards, cash flows from state appropriations (excluding capital assets) are included in noncapital financing activities, even though they provide funding for operating activities. Cash received from state appropriations, excluding capital assets, in fiscal year 2007 was \$234.9 million. If this figure is added to the cash flows from operating activities, the result is a positive cash flow of \$57 million.

### CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

#### CAPITAL ASSETS

On June 30, 2007, the System had \$681.6 million invested in net capital assets, as reflected in the following table, which represents a net increase of \$45.3 million or 7.1 percent during the fiscal year.

**Capital Assets**  
**June 30, 2007 and 2006 (in Thousands)**

	<b>2007</b>	<b>2006</b>
Land	\$ 16,053	\$ 16,036
Land improvements/infrastructure	142,089	139,712
Buildings	727,392	694,146
Furniture, fixtures, and equipment	201,011	190,231
Intangibles	16,045	16,039
Library materials	97,410	92,850
Construction in progress	68,444	40,408
Total	<u>\$ 1,268,444</u>	<u>\$ 1,189,422</u>
Total accumulated depreciation	<u>(586,819)</u>	<u>(553,136)</u>
Capital assets, net	<u>\$ 681,625</u>	<u>\$ 636,286</u>

Total additions to capital assets in fiscal year 2007 were \$37 million. Some of the major projects completed during the fiscal year, and their capitalized project cost, include:

- Mechanical Maintenance building at BSC - \$1.4 million
- Murphy Hall renovation at DSU \$3.3 million
- Crane Hall renovation at MiSU - \$4.8 million
- Student Union Ballroom renovation at MiSU \$1.1 million
- Wellness Center at UND - \$21.0 million

Construction in progress for other projects underway totaled \$68.4 million at June 30, 2007. Some of the major projects, and their estimated project costs, include:

- Student housing facility at BSC - \$5.0 million
- National Energy Center of Excellence at BSC \$6.0 million
- Thatcher Hall addition at MiSU-B- \$2.7 million
- Memorial Union expansion at NDSU - \$22 million
- Wellness Center addition at NDSU - \$12 million
- Living Learning Center West at NDSU -\$12 million
- Northern Plains Center for Behavior at NDSU - \$3.9 million

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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- Hazardous material handling facility at NDSU - \$3.5 million
- Parking facility at UND - \$16.5 million
- Student housing at UND - \$20 million

Outstanding commitments for these and other capital projects as of June 30, 2007 totaled \$25.4 million. In addition to specific renovation and new building projects, campuses also completed major repair projects to electrical distribution systems, steam lines, parking lots, lighting and roofs and completed numerous energy improvements projects. More detailed information about the System's capital assets is presented in Note 5 and Note 14 to the financial statements.

### LONG-TERM LIABILITIES

On June 30, 2007, the System had \$267.3 million in bonds and other long-term obligations outstanding, compared to \$272.6 million on June 30, 2006.

#### Long-Term Liabilities June 30, 2007 and 2006 (in Thousands)

	2007	2006
Bonds Payable	\$ 190,625	\$ 197,175
Notes Payable	6,611	7,583
Capital Leases	46,081	45,002
Special Assessments	1,789	1,378
Compensated Absences	22,242	21,491
Total Debt	<u>\$ 267,348</u>	<u>\$ 272,629</u>
Viability Ratio (expendable net assets to L-T debt)	<u>0.9</u>	<u>0.8</u>

Long-term liabilities added in fiscal year 2007 totaled approximately \$31.6 million, including: two revenue bonds totaling \$22.8 million for new construction and renovation projects, \$7.1 million in new capital leases for purchase of capital assets, and \$1.7 million in other long-term obligations. Total debt retired in fiscal year 2007 was \$36.9 million, consisting primarily of bond payments of \$29.4 million and other regularly scheduled principal payments. At June 30, 2007, \$76.6 million of auxiliary enterprise revenues (95 percent) are pledged as security for outstanding revenue bonds.

The viability ratio, calculated by dividing expendable net assets by long-term debt, measures the System's ability to retire long-term debt using available current resources. The System's viability ratio at June 30, 2007 of .9 to 1 indicates the System needs to watch its future debt levels closely as a ratio of 1 to 1 or greater is preferred. More detailed information about the System's long-term liabilities is presented in Notes 7 through 11 to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

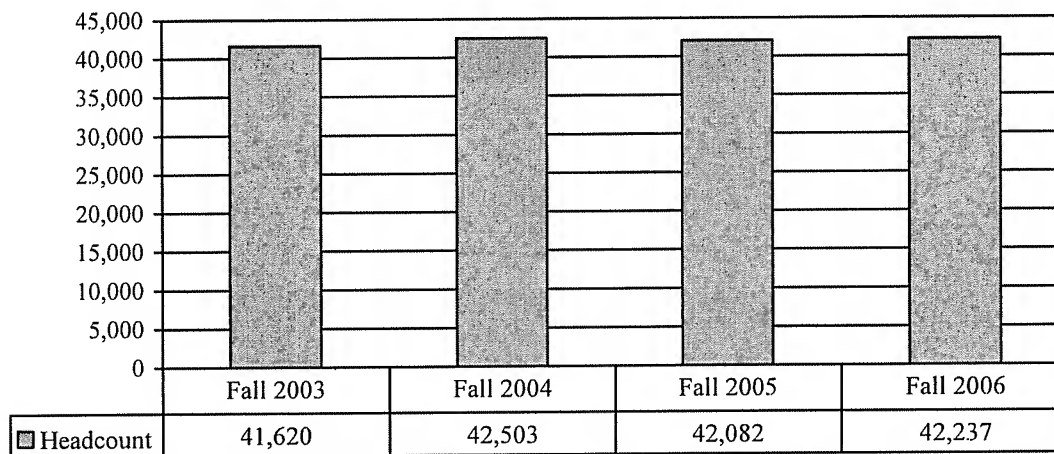
JUNE 30, 2007

### OTHER HIGHLIGHTS

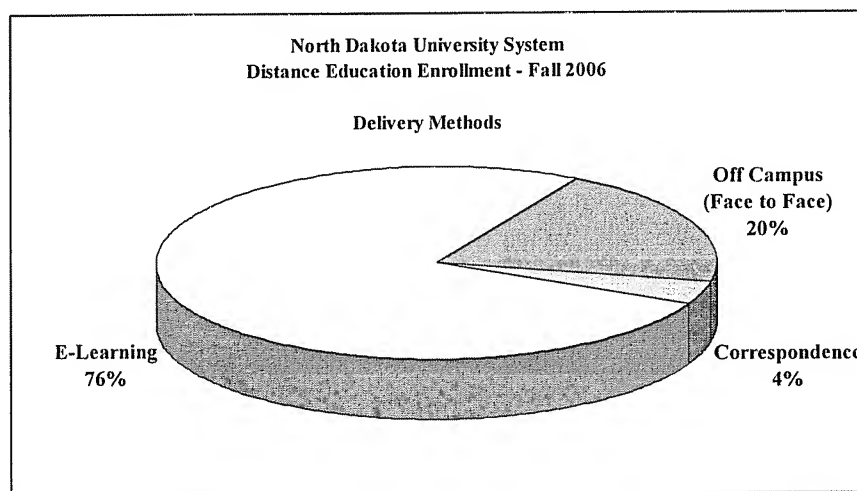
#### STUDENT ENROLLMENTS

Annual unduplicated degree credit headcount for Fall 2006 was 42,237, less than a 1 percent increase over the previous fall enrollment. Degree credit headcount for the University System for the last four fall terms is as follows:

**North Dakota University System  
Degree Credit Headcount for the Fall Term**



Within degree credit, distance education (off-campus, correspondence and E-Learning) continues to be the fastest growing delivery method, experiencing a 20 percent increase over last academic year, and accounting for about 34 percent of total degree credit headcount. E Learning (internet, IVN and other) now accounts for 76 percent of all distance education offerings, as apposed to 73 percent in fiscal year 2006. Typically, distance education courses are offered at a tuition and/or fee premium, so tuition and fee revenues receive an additional boost as these course offerings continue to expand.





## **ECONOMIC FACTORS**

### **STATE FUNDING**

The 2005 Legislative Assembly approved a state general fund appropriation for all entities of the System of \$445.12 million for the 2005-07 biennium. This was \$33.5 million, or 8.1 percent more than the 2003-05 adjusted appropriation. However, the System's appropriation (excluding ag extension and research centers) as a percentage of the state's total 2005-07 general fund budget was 19.5 percent, compared to 20.1 percent in 2003-05.

The actual average tuition increase in academic year 2006-07 and 2005-06 was 9.4 percent and 8.7 percent, respectively. Other public campuses across the nation also experienced higher than average percentage tuition rate increases during the two-year period ending June 30, 2007. According to the College Board's annual tuition survey, average tuition in 2006-07 and 2005-06 increased 6 percent and 7 percent, respectively, at public four-year colleges nationwide and 4 percent and 5 percent, respectively, at public two-year institutions.

### **MARKET FACTORS**

As a state supported higher education institution, the economic position of the System is closely tied to the State of North Dakota. In fiscal year 2007, state revenues were positively affected by improving market conditions. Despite economic improvement, rising utility and health care costs continue to challenge state and campus budgets. Utility expenditures at the campuses are expected to be over \$5 million (15.9 percent) above original 2005-07 estimates. In light of this, campuses will need to continue to generate new sources of revenue or reallocate resources from other areas of the budget to cover additional costs.

### **DEMOGRAPHIC FACTORS**

The number of ND public high school graduates continues to decline. This negative trend could have a substantial financial impact on the System, as a large percentage of students enrolled in System campuses are ND high school graduates. The System is proactively expanding its distance education offerings (as noted in the Student Enrollment section above), and continually seeking other ways to sustain enrollment, and thereby sustain tuition and fee revenues, over the next 10 to 15 years.

### **FINANCIAL CONTACT**

The System's financial statements are designed to present users with a general overview of the System's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact the System's Director of Financial Reporting at 701-328-3401; State Capitol - 10<sup>th</sup> Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF NET ASSETS**

	<b>Primary Institution</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 66,032,509	\$ 20,675,792
Investments	77,103,132	-
Accounts receivable, net	16,588,809	12,917,402
Receivable from component units	1,240,207	-
Receivable from primary institution	-	1,587,768
Due from State General Fund	4,783,268	-
Grants & contracts receivables, net	39,970,412	170,833
Inventories	6,865,043	487,101
Notes receivable, net	9,045,996	-
Other assets	1,902,891	2,092,637
Total current assets	<u>223,532,267</u>	<u>37,931,533</u>
Noncurrent assets		
Restricted cash and cash equivalents	3,898,058	10,420,237
Restricted investments	33,214,789	71,008,739
Endowment investments	13,896,881	268,153,233
Noncurrent receivable from primary institution	-	49,617,901
Notes receivable, net	31,611,062	-
Other long-term investments	45,236,188	14,413,882
Unamortized bond discount & cost of issuance	4,324,110	1,999,114
Other noncurrent assets	13,307	18,837,541
Capital assets, net	681,625,271	123,082,293
Total noncurrent assets	<u>813,819,666</u>	<u>557,532,940</u>
Total assets	<u>\$ 1,037,351,933</u>	<u>\$ 595,464,473</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,570,934	\$ 5,407,449
Payable to component units	185,492	-
Payable to primary institution	-	1,240,207
Accrued payroll	21,319,857	20,098
Deferred revenue	11,087,128	3,223,320
Deposits	5,318,917	448,210
Long-term liabilities--current portion		
Due to Component Units	1,402,276	-
Due to Others	13,684,451	3,533,057
Total current liabilities	<u>79,569,055</u>	<u>13,872,341</u>
Noncurrent liabilities		
Advances from Bank of ND	1,515,259	-
Liabilities under trust agreements	-	30,149,547
Other noncurrent liabilities	1,554,907	4,941,700
Long-term liabilities		
Due to Component Units	49,617,901	-
Due to Others	202,642,863	70,107,073
Total noncurrent liabilities	<u>255,330,930</u>	<u>105,198,320</u>
Total liabilities	<u>\$ 334,899,985</u>	<u>\$ 119,070,661</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 462,578,478	\$ 103,660,672
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	13,190,167	-
Other (CU)	-	243,396,064
Expendable:		
Scholarships and fellowships	6,638,799	-
Research	14,555,599	-
Institutional	7,568,470	-
Loans	45,264,320	-
Capital projects	338,275	-
Debt service	11,757,660	-
Other	46,608	55,020,027
Unrestricted	140,513,572	74,317,049
Total net assets	<u>\$ 702,451,948</u>	<u>\$ 476,393,812</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>Primary Institution</b>	<b>Component Units</b>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$35,366,399)	\$ 218,668,724	\$ 6,175,483
Local appropriations	5,000	-
Federal grants and contracts	150,257,136	-
State and local grants and contracts	7,861,836	-
Nongovernmental grants and contracts	22,713,818	-
Gifts & Contributions (CU)	-	27,499,991
Sales and services of educational departments	44,360,478	-
Auxiliary enterprises (net of scholarship allowances of \$2,670,524; \$76,566,287 of revenues are pledged as security for revenue bonds)	80,757,785	-
Event income (CU)	-	7,074,884
Rental income (CU)	-	2,722,390
Other	5,478,623	11,011,182
Total operating revenues	<u>\$ 530,103,400</u>	<u>\$ 54,483,930</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	\$ 468,181,370	\$ 9,505,854
Operating expenses	183,414,850	17,452,768
Data processing	13,034,476	-
Depreciation expense	39,353,150	7,544,003
Scholarships and fellowships	23,736,650	-
Cost of sales and services	33,462,577	-
Total operating expenses	<u>\$ 761,183,073</u>	<u>\$ 34,502,625</u>
Operating income (loss)	<u>\$ (231,079,673)</u>	<u>\$ 19,981,305</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 225,920,052	\$ -
Federal appropriations	4,294,673	-
Federal grants and contracts	99,869	-
Gifts	21,582,596	209,435
Investment income (net of investment expense of \$67,101)	14,532,909	40,143,741
Interest on capital asset-related debt	(12,258,476)	(1,882,607)
Gain (loss) on disposal of capital assets	(1,489,984)	864,251
Insurance proceeds	1,042,166	-
Tax revenues	2,322,298	-
General and special grant expenditures	(748,772)	-
Payments to or for the institution (CU)	-	(25,712,523)
Other nonoperating revenues (expenses)	(1,349,585)	1,375,310
Net nonoperating revenues (expenses)	<u>\$ 253,947,746</u>	<u>\$ 14,997,607</u>
Income before capital grants, gifts, and transfers	<u>\$ 22,868,073</u>	<u>\$ 34,978,912</u>
State appropriations-capital assets	3,871,315	-
Transfers to Building Authority	(5,984,792)	-
Capital grants and gifts	7,314,326	-
Additions to permanent endowments (CU)	-	32,955,219
Increase in net assets	<u>\$ 28,068,922</u>	<u>\$ 67,934,131</u>
<b>NET ASSETS</b>		
Net assets--beginning of year, as restated (Refer to Note 1)	<u>674,383,026</u>	<u>408,459,681</u>
Net assets--end of year	<u>\$ 702,451,948</u>	<u>\$ 476,393,812</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF CASH FLOWS**

	<b>Primary Institution</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 222,777,408
Grants and contracts	187,238,272
Payments to suppliers	(226,593,587)
Payments to employees	(465,170,659)
Payments for scholarships and fellowships	(23,736,650)
Loans issued to students	(8,818,163)
Collection of loans to students	7,927,812
Auxiliary enterprise charges	83,650,789
Sales and service of educational departments	42,803,707
Cash received/(paid) on deposits	(727,750)
Other receipts (payments)	3,197,064
Net cash used by operating activities	<u>\$ (177,451,757)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	\$ 234,910,115
Federal appropriations	4,294,673
Grants and gifts received for other than capital purposes	24,851,270
Grants given for other than capital purposes	(748,772)
Advances from Bank of North Dakota	-
Principal paid on advances from Bank of North Dakota	(3,535,615)
Agency fund cash increase/(decrease)	(393,516)
Tax revenues	2,322,298
Other nonoperating revenues (expenses)	71,888
Net cash flows provided by noncapital financing activities	<u>\$ 261,772,341</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of debt	\$ 22,835,000
Transfers to Building Authority	(5,984,792)
Capital appropriations	4,919,820
Capital grants and gifts received	6,850,207
Proceeds from sale of capital assets	1,481,626
Purchases of capital assets	(77,079,950)
Insurance proceeds	710,220
Principal paid on capital debt and lease	(15,040,824)
Deposits with capital debt payment trustees	(21,220,219)
Interest paid on capital debt and lease	(12,167,631)
Net cash used by capital and related financing activities	<u>\$ (94,696,543)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	\$ 31,370,626
Interest on investments	11,381,770
Purchase of investments	(60,598,982)
Net cash provided by investing activities	<u>\$ (17,846,586)</u>
Net increase in cash	\$ (28,222,545)
CASH - BEGINNING OF YEAR	<u>98,153,112</u>
CASH - END OF YEAR	<u><u>\$ 69,930,567</u></u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**STATEMENT OF CASH FLOWS - Continued**

	<b>Primary Institution</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (231,079,673)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	39,353,150
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(821,923)
Grant & contract receivables	6,405,482
Inventories	776,582
Notes receivable	1,373,935
Other assets	997,417
Accounts payable and accrued liabilities adjusted for interest payable	1,898,399
Accrued payroll	1,565,291
Compensated absences	1,445,420
Deferred revenue	1,153,974
Deposits	(519,811)
Net cash provided (used) by operating activities	<u>\$ (177,451,757)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>	
Assets acquired through capital lease	\$ 11,109,237
Assets acquired through special assessment	80,883
Expenses paid by capital lease/special assessments	1,563,719
Gifts of capital assets	<u>167,696</u>
Total non-cash transactions	<u>\$ 12,921,535</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF NET ASSETS**

	<b>BSC Foundation June 30, 2007</b>	<b>DSU Foundation June 30, 2007</b>	<b>MISU Development Foundation June 30, 2007</b>	<b>NDSU Development Foundation June 30, 2007</b>	<b>NDSU Research &amp; Technology Park June 30, 2007</b>	<b>UND Aerospace Foundation June 30, 2007</b>
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 8,076,162	\$ 170,818	\$ 269,611	\$ 724,075	\$ 1,166,182	\$ 2,325,331
Accounts receivable, net	2,727,651	358,363	77,086	2,852,347	6,825	405,319
Receivable from primary institution	-	2,929			182,563	-
Grants & contracts receivables, net	170,833		-		-	
Inventories						123,315
Other assets	115,021	99,631	1,942	581,856	179,698	539,412
Total current assets	11,089,667	631,741	348,639	4,158,278	1,535,268	3,393,377
Noncurrent assets						
Restricted cash and cash equivalents		93,511		6,930,998	632,787	
Restricted investments	4,617,242	1,684,389	-	11,333,804		
Endowment investments	8,309,733	7,108,711	12,241,092	95,644,991		
Noncurrent receivable from primary institution	1,400,000	-			981,207	-
Other long-term investments	264,485	795,000	438,312	16,987,225		92,810
Unamortized bond discount & cost of issuance		-			1,964,387	
Other noncurrent assets	1,433,994	622,796	-	1,349,947	104,232	
Capital assets, net	10,056,440	884,325	-	6,384,217	30,164,923	9,399,964
Total noncurrent assets	26,081,894	11,188,732	12,679,404	138,631,182	33,847,536	9,492,774
Total assets	\$ 37,171,561	\$ 11,820,473	\$ 13,028,043	\$ 142,789,460	\$ 35,382,804	\$ 12,886,151
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 1,738,482	\$ 577,563	\$ 28,580	\$ 671,851	\$ 516,446	\$ 827,275
Payable to primary institution		56,462	50,410			102,483
Accrued payroll		4,902			15,196	
Deferred revenue					-	1,308,681
Deposits				447,860		
Long-term liabilities--current portion		-	-			
Due to Others	133,291	12,647	89,966	621,655	1,305,613	646,798
Total current liabilities	1,871,773	651,574	168,956	1,741,366	1,837,255	2,885,237
Noncurrent liabilities						
Liabilities under trust agreements	1,503,018	757,325		6,986,496		
Other noncurrent liabilities	603,652		162,093		753,700	
Long-term liabilities		-				
Due to Others	9,079,829	516,800	-	10,287,614	26,850,624	4,865,491
Total noncurrent liabilities	11,186,499	1,274,125	162,093	17,274,110	27,604,324	4,865,491
Total liabilities	\$ 13,058,272	\$ 1,925,699	\$ 331,049	\$ 19,015,476	\$ 29,441,579	\$ 7,750,728
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 1,614,299	\$ 354,878		\$ 6,384,217	\$ 2,008,873	\$ 3,887,675
Restricted for:						
Nonexpendable:						
Other (CU)	10,205,088	8,346,565	9,228,239	75,202,616	-	
Expendable:						
Other	2,189,907	1,555,286	150	17,216,145	1,607,673	
Unrestricted	10,103,995	(361,955)	3,468,605	24,971,006	2,324,679	1,247,748
Total net assets	\$ 24,113,289	\$ 9,894,774	\$ 12,696,994	\$ 123,773,984	\$ 5,941,225	\$ 5,135,423

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF NET ASSETS - Continued**

	UND Alumni Association & UND Foundation June 30, 2007	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2007	Elimination (Note 15)	Total Major Component Units	Non-major Component Units	Total Component Units
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 376,427	\$ 1,431,458		\$ 14,540,064	\$ 6,135,728	\$ 20,675,792
Accounts receivable, net	5,157,141	920,199		12,504,931	412,471	12,917,402
Receivable from primary institution	250,000		1,152,276	1,587,768	-	1,587,768
Grants & contracts receivables, net				170,833	-	170,833
Inventories		363,786		487,101	-	487,101
Other assets	375,746	122,240	-	2,015,546	77,091	2,092,637
Total current assets	6,159,314	2,837,683	1,152,276	31,306,243	6,625,290	37,931,533
Noncurrent assets						
Restricted cash and cash equivalents		1,578,578		9,235,874	1,184,363	10,420,237
Restricted investments	53,286,663			70,922,098	86,641	71,008,739
Endowment investments	114,286,437			237,590,964	30,562,269	268,153,233
Noncurrent receivable from primary institution	11,110,000		36,126,694	49,617,901	-	49,617,901
Other long-term investments	2,993,834		(7,157,784)	14,413,882	-	14,413,882
Unamortized bond discount & cost of issuance		34,727	-	1,999,114	-	1,999,114
Other noncurrent assets	14,855,062			18,366,031	471,510	18,837,541
Capital assets, net	2,849,672	92,879,347	(30,168,998)	122,449,890	632,403	123,082,293
Total noncurrent assets	199,381,668	94,492,652	(1,200,088)	524,595,754	32,937,186	557,532,940
Total assets	\$ 205,540,982	\$ 97,330,335	\$ (47,812)	\$ 555,901,997	\$ 39,562,476	\$ 595,464,473
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 376,419	\$ 595,563	\$ -	\$ 5,332,179	\$ 75,270	\$ 5,407,449
Payable to primary institution	265,207	359,113		833,675	406,532	1,240,207
Accrued payroll	-			20,098	-	20,098
Deferred revenue		1,914,639		3,223,320	-	3,223,320
Deposits				447,860	350	448,210
Long-term liabilities--current portion		-	-			
Due to Others	450,000	220,335	-	3,480,305	52,752	3,533,057
Total current liabilities	1,091,626	3,089,650	-	13,337,437	534,904	13,872,341
Noncurrent liabilities						
Liabilities under trust agreements	20,902,708			30,149,547	-	30,149,547
Other noncurrent liabilities	3,422,255			4,941,700	-	4,941,700
Long-term liabilities						
Due to Others	11,610,000	6,634,963	-	69,845,321	261,752	70,107,073
Total noncurrent liabilities	35,934,963	6,634,963	-	104,936,568	261,752	105,198,320
Total liabilities	\$ 37,026,589	\$ 9,724,613	\$ -	\$ 118,274,005	\$ 796,656	\$ 119,070,661
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 2,849,672	\$ 86,027,717	\$ (47,812)	\$ 103,079,519	\$ 581,153	\$ 103,660,672
Restricted for:						
Nonexpendable:						
Other (CU)	118,493,947			221,476,455	21,919,609	243,396,064
Expendable:						
Other	23,821,532	1,578,578		47,969,271	7,050,756	55,020,027
Unrestricted	23,349,242	(573)	-	65,102,747	9,214,302	74,317,049
Total net assets	\$ 168,514,393	\$ 87,605,722	\$ (47,812)	\$ 437,627,992	\$ 38,765,820	\$ 476,393,812

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>BSC Foundation June 30, 2007</b>	<b>DSU Foundation June 30, 2007</b>	<b>MISU Development Foundation June 30, 2007</b>	<b>NDSU Development Foundation June 30, 2007</b>	<b>NDSU Research &amp; Technology Park June 30, 2007</b>	<b>UND Aerospace Foundation June 30, 2007</b>
<b>OPERATING REVENUES</b>						
Student tuition and fees						\$ 6,175,483
Gifts & Contributions (CU)	1,277,173	1,180,825	65,121	9,621,889	2,950,311	
Event income (CU)						808,463
Rental income (CU)		255,862	-		2,255,733	
Other	166,864	-	330,642		120,518	
Total operating revenues	<u>\$ 1,444,037</u>	<u>\$ 1,436,687</u>	<u>\$ 395,763</u>	<u>\$ 9,621,889</u>	<u>\$ 5,326,562</u>	<u>\$ 6,983,946</u>
<b>OPERATING EXPENSES</b>						
Salaries and wages	\$ 85,966	\$ 226,708	\$ -	\$ 1,523,298	\$ 252,985	\$ 2,147,518
Operating expenses	398,690	289,250	91,514	3,112,250	56,617	4,339,971
Depreciation expense	17,233	41,549	-	179,198	826,823	693,348
Total operating expenses	<u>\$ 501,889</u>	<u>\$ 557,507</u>	<u>\$ 91,514</u>	<u>\$ 4,814,746</u>	<u>\$ 1,136,425</u>	<u>\$ 7,180,837</u>
Operating income (loss)	<u>\$ 942,148</u>	<u>\$ 879,180</u>	<u>\$ 304,249</u>	<u>\$ 4,807,143</u>	<u>\$ 4,190,137</u>	<u>\$ (196,891)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gifts		\$ -	\$ -			\$ 209,435
Investment income	1,681,647	1,208,540	1,679,047	16,479,809	150,905	37,019
Interest on capital asset-related debt		(28,508)			(1,118,380)	(412,806)
Gain (loss) on disposal of capital assets			-			864,251
Payments to or for the institution (CU)	(818,147)	(830,976)	(549,957)	(6,379,689)		
Other nonoperating revenues (expenses)	(62,169)	(547,735)	-	917,987	(217,829)	
Net nonoperating revenues (expenses)	<u>\$ 801,331</u>	<u>\$ (198,679)</u>	<u>\$ 1,129,090</u>	<u>\$ 11,018,107</u>	<u>\$ (1,185,304)</u>	<u>\$ 697,899</u>
Income (loss) before capital grants, gifts, and transfers	<u>\$ 1,743,479</u>	<u>\$ 680,501</u>	<u>\$ 1,433,339</u>	<u>\$ 15,825,250</u>	<u>\$ 3,004,833</u>	<u>\$ 501,008</u>
Additions to permanent endowments	1,176,034		197,367	3,835,368	-	-
Increase in net assets	<u>\$ 2,919,513</u>	<u>\$ 680,501</u>	<u>\$ 1,630,706</u>	<u>\$ 19,660,618</u>	<u>\$ 3,004,833</u>	<u>\$ 501,008</u>
<b>NET ASSETS</b>						
Net assets--beginning of year, as restated (Refer to Note 1)	21,193,776	9,214,273	11,066,288	104,113,366	2,936,392	4,634,415
Net assets--end of year	<u>\$ 24,113,289</u>	<u>\$ 9,894,774</u>	<u>\$ 12,696,994</u>	<u>\$ 123,773,984</u>	<u>\$ 5,941,225</u>	<u>\$ 5,135,423</u>



**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued**

	UND Alumni Association & Foundation June 30, 2007	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2007	Elimination (Note 15)	Total Major Component Units	Non-major Component Units	Total Component Units
<b>OPERATING REVENUES</b>						
Student tuition and fees		\$ -		\$ 6,175,483	\$ -	\$ 6,175,483
Gifts & Contributions (CU)	9,467,573			24,562,892	2,937,099	27,499,991
Event income (CU)		5,580,074		6,388,537	686,347	7,074,884
Rental income (CU)		133,302	-	2,644,897	77,493	2,722,390
Other	3,710,470	837,320	-	5,165,814	5,845,368	11,011,182
Total operating revenues	\$ 13,178,043	\$ 6,550,696	\$ -	\$ 44,937,623	\$ 9,546,307	\$ 54,483,930
<b>OPERATING EXPENSES</b>						
Salaries and wages	\$ 2,519,813	\$ 2,147,518		\$ 8,903,806	\$ 602,048	\$ 9,505,854
Operating expenses	860,899	2,363,481		11,512,672	5,940,096	17,452,768
Depreciation expense	154,880	5,682,087	(66,667)	7,528,451	15,552	7,544,003
Total operating expenses	\$ 3,535,592	\$ 10,193,086	\$ (66,667)	\$ 27,944,929	\$ 6,557,696	\$ 34,502,625
Operating Income	\$ 9,642,451	\$ (3,642,390)	\$ 66,667	\$ 16,992,694	\$ 2,988,611	\$ 19,981,305
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gifts				\$ 209,435	\$ -	\$ 209,435
Investment income	14,056,858			35,293,825	4,849,916	40,143,741
Interest on capital asset-related debt		(322,913)	-	(1,882,607)	-	(1,882,607)
Gain (loss) on disposal of capital assets				864,251	-	864,251
Payments to or for the institution (CU)	(13,218,054)	(303,210)		(22,100,033)	(3,612,490)	(25,712,523)
Other nonoperating revenues/expenses	1,285,056			1,375,310	-	1,375,310
Net nonoperating revenues (expenses)	\$ 2,123,860	\$ (626,123)	\$ -	\$ 13,760,181	\$ 1,237,426	\$ 14,997,607
Income (loss) before capital grants, gifts, and transfers	\$ 11,766,311	\$ (4,268,513)	\$ 66,667	\$ 30,752,875	\$ 4,226,037	\$ 34,978,912
Additions to permanent endowments	26,557,574	-		31,766,343	1,188,876	32,955,219
Increase (decrease) in net assets	\$ 38,323,885	\$ (4,268,513)	\$ 66,667	\$ 62,519,218	\$ 5,414,913	\$ 67,934,131
<b>NET ASSETS</b>						
Net assets--beginning of year, as restated (Refer to Note 1)	130,190,509	91,874,235	(114,480)	375,108,774	33,350,907	408,459,681
Net assets--end of year	\$ 168,514,394	\$ 87,605,722	\$ (47,813)	\$ 437,627,992	\$ 38,765,820	\$ 476,393,812

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2007

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, as summarized below, and the financial statements for the North Dakota University System are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

**REPORTING ENTITY**

The North Dakota State Board of Higher Education (Board) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the Board also oversees the Agricultural Research Centers, Agronomy Seed Farm, North Dakota Cooperative Extension Service, Northern Crops Institute, School of Medicine and Health Sciences, the State Forest Service, and the Upper Great Plains Transportation Institute. The Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the University System office and each institution on the PeopleSoft Finance Module. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The University System includes the following entities that were created by the North Dakota Constitution and/or North Dakota Century Code (NDCC). As stated above these entities are under the control and administration of the State Board of Higher Education. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

**North Dakota University System Entities (Primary Institution)**

North Dakota University System Office (NDUSO)  
Bismarck State College (BSC)  
Dickinson State University (DSU)  
Lake Region State College (LRSC)  
Mayville State University (MaSU)  
Minot State University (MiSU)  
    Minot State University – Bottineau Campus (MiSU-B)  
North Dakota State College of Science (NDSCS)  
North Dakota State University (NDSU)  
    Agricultural Experiment Stations:  
        North Dakota State University Main Research Center

## NOTES TO THE FINANCIAL STATEMENTS

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Dickinson Research Extension Center  
Central Grasslands Research Extension Center  
Hettinger Research Extension Center  
Langdon Research Extension Center  
North Central Research Extension Center  
Williston Research Extension Center  
Carrington Research Extension Center  
Agronomy Seed Farm  
Northern Crops Institute  
Upper Great Plains Transportation Institute  
North Dakota State University Cooperative Extension Service  
North Dakota Forest Service  
University of North Dakota (UND)  
School of Medicine and Health Sciences  
Valley City State University (VCSU)  
Williston State College (WSC)

### Component Units

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary institution, organizations for which the primary institution is financially accountable, and other organizations for which the nature and significance of their relationship with the primary institution are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. The primary institution is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary institution. Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, modifies and clarifies previously existing criteria of determining whether an organization should be reported as a component unit and how that component unit should be reported in the financial statements. The nature and significance of the organizations relationship and the extent of financial integration with the primary institution are now considered when determining potential component units.

As required by generally accepted accounting principles, the accompanying financial statements present the University System (the primary institution) and its component units. The component units are included in the University System's reporting entity because of the significance of their operational or financial relationships with the University System.

### Blended Component Units

A component unit whose governing body is substantively the same as the governing body of the primary institution, a financial benefit/burden relationship exists and the entity provides services entirely or almost entirely to the primary institution or otherwise exclusively or almost exclusively benefits the primary institution even though it does not provide services directly to it, is included in the primary institutions financial statements using the blending method.

The **Mystic Athletic Club** (BSC) is considered a blended component unit. Although it is a legally separate entity, the Mystic Athletic Club is reported as if it were part of the primary institution because

## NOTES TO THE FINANCIAL STATEMENTS

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the board is comprised of BSC employees and its sole purpose is to provide support for the athletic programs at BSC. Complete financial statements may be obtained at the entity's administrative office at Bismarck State College, Athletic Department, 1601 Edwards Avenue, Bismarck, ND 58501.

**North Dakota University System Foundation** is considered a blended component unit. Although it is a legally separate, non-profit 501(c)(3) organization, NDUS Foundation is reported as if it were part of the primary institution because its sole purpose is to support the NDUS. Some members of the State Board of Higher Education serve on the Board of Trustees for the foundation. Complete financial statements may be obtained at the entity's administrative office at 600 E. Boulevard Ave. Dept 215, Bismarck, ND 58505-0230.

### Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University System, exclusion would render the financial statements incomplete or misleading. Although the primary institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon, that the entities hold and invest are restricted by the donors to the activities of the primary institution or its constituents. Therefore, these entities are discretely presented in the accompanying financial statements using Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the System's financial report for these differences. Component units that are significant relative to the other component units and to the primary institution are considered "major" component units and are displayed in separate columns in the component unit section of the accompanying financial statements and are included in Note 15 under Major Component Units. Component units that are not significant relative to the other component units and to the primary institution are considered "non-major" component units and are displayed in a combined column in the component unit section of the accompanying financial statements. Note disclosures are not provided for "non-major" component units.

### **Major Component Units**

**The Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college as well as seven ex-officio members that are officers/employees of BSC. Complete financial statements for Bismarck State College Foundation may be obtained at the entity's administrative offices at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

**Dickinson State University Foundation, Inc.**, was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects not available through other funding sources. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as two ex-officio members that are officers/employees of DSU. Complete financial statements for Dickinson State University Foundation may be obtained at the

## NOTES TO THE FINANCIAL STATEMENTS

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entity's administrative offices at Dickinson State University, Dickinson, ND 58601.

**Minot State University Development Foundation** was incorporated in 1978 exclusively for the benefit of MiSU. Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. A board of directors comprising 13 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio members who are employees of MiSU. Complete financial statements for Minot State University Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

**North Dakota State University Development Foundation** is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102, or PO Box 5144, Fargo, ND 58105.

**NDSU Research & Technology Park, Inc.**, is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (6 of 9) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc., may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Fargo, ND 58105.

**UND Aerospace Foundation** is a nonprofit entity organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The foundation is managed by a board of directors consisting of five to seven members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board; a senior manager of the foundation, elected by the board; the dean of the Odegard School of Aerospace Sciences, and the president of the University. The foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. Complete financial statements for the Aerospace Foundation may be obtained at the entity's administrative office at Box 9023, Grand Forks, ND 58202-9023.

The **Alumni Association of the University of North Dakota** was incorporated in 1915 for the purpose of 1) keeping classmates in contact with each other, 2) keeping graduates and former students informed of happenings at UND, and 3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. **UND Foundation** was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for University of North Dakota. These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and vice

## NOTES TO THE FINANCIAL STATEMENTS

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presidents. The board of directors consists of 21 voting members who are alumni of UND and 3 ex-officio members that are officers of UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and University of North Dakota Foundation, may be obtained at the entity's administrative offices at PO Box 8157, Grand Forks, ND 58202.

**RE Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc., Arena Holdings Charitable LLC and Affiliates** are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for Arena Holdings. Affiliates of RE Arena market products and services. UND Arena services, Inc. is the legal manager of Arena Holdings. Complete combined financial statements for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

### Non-major Component Units

**Lake Region Community College Foundation** was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the foundation are managed by a 27-member board of directors elected by the foundation membership to serve three-year terms. Complete financial statements for the Community College Foundation may be obtained at the entity's administrative office at 1801 College Drive North, Devils Lake, ND 58301-1598.

**Mayville State University Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to MaSU. The foundation is managed by a 29-member board of directors comprised of leading citizens, both alumni and friends of the university as well as three ex-officio members that are officers/employees of MaSU. The **Comet Athletic Club**, a legally separate non-profit organization, operates as an entity within the foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the foundation's financial statements. Complete financial statements for Mayville State University Foundation may be obtained at the entity's administrative office at 330 3<sup>rd</sup> Street Northeast, Mayville, ND 58257.

**MiSU-B Development Foundation and Logrollers** are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to MiSU-B. The foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college as well as one ex-officio member that is an officer of MiSU-B. However, each entity has separate committees that direct each organization's activities. Complete combined financial statements for Minot State University-Bottineau Development Foundation and Logrollers may be obtained at the entity's administrative offices at 105 Simrall Boulevard, Bottineau, ND 58318.

**North Dakota State College of Science Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by a 13-member board of directors comprised of leading citizens, both alumni and friends of the college as well as three ex-officio members that are officers/employees of NDSCS. Complete financial statements for North Dakota State College of Science Foundation may be obtained at the entity's administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

## NOTES TO THE FINANCIAL STATEMENTS

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**NDSU Research Foundation** is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of trustees, comprised of five NDSU employees and six individuals who are not employed by NDSU. Complete financial statements for the Research Foundation may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Fargo, ND 58105.

**Valley City State University Foundation** was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The foundation is managed by a 19 member Board of Directors comprised of leading citizens, both alumni and friends of the university and one director each from the Alumni Association, V-500 and Booster Board, as well as two ex-officio members that are officers of VCSU. Complete financial statements for Valley City State University Foundation may be obtained at the entity's administrative office at 101 College Street SW, Valley City, ND 58072.

**Williston State College Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at PO Box 1286, 501 18<sup>th</sup> Street East, Williston, ND 58802-1286.

### JOINT VENTURES

#### **Tri-College University**

Tri-College University (TCU) is a legally separate organization that is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. A ten-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. Administration of funds and other resources received by TCU for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2007, Tri-College University had net assets of approximately \$58,058 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at 209 Energy Technology Bldg., Fargo, ND 58105.

### RELATED ORGANIZATIONS.

The entities detailed in Note 16 are excluded from the reporting entity because they were determined to be independent entities. Separate boards of directors control these entities, the college or university does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institution are not significant enough to warrant inclusion in the reporting entity's financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

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### **BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the “business-type activities” (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System’s activities.

### **BASIS OF ACCOUNTING**

The financial statements of the University System have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. The University System follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

### **UNRESTRICTED NET ASSETS**

Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at each institution.

### **RESTRICTED ASSETS**

The University System, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

### **REVENUE AND EXPENSE RECOGNITION**

The University System presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the University System.

Operating revenues include all charges to customers, grants received for student financial assistance,



## **NOTES TO THE FINANCIAL STATEMENTS**

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research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University System. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University System, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

### **BUDGETARY PROCESS**

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The Board allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the Board and entities of the University System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The Board has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the Board may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the University System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line item level, with administrative controls established at lower levels of detail in certain instances.

Board policy requires each college or university to submit a biennial budget for Board approval and annual budgets to be approved by the Chancellor. These budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared within the framework of the legislative-approved appropriations and become each institution's financial plan for the coming year. The Board allows each institution discretion in transferring funds between departments.

### **CASH AND CASH EQUIVALENTS**

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the University System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University System's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **INVESTMENTS**

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers. Investments are reported at fair value for year-end financial reporting. Fair value is the amount at which an investment could be exchanged between two willing parties, which for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income. Investments are classified as Investments, if the maturity date is more than three months to one year, or as Other Long-term Investments, if the maturity date is more than one-year from the date of the financial statements. Investments restricted by bond covenants or invested from bond proceeds are classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

### **RECEIVABLES**

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments; and Family Practice Center revenues (UND). Grants and contracts receivables include federal and private grants and contracts revenue and state grants and other income due from other state agencies. Loan fund notes receivable represents amounts due from students for Perkins and other federal loans, and short-term institutional loans. Net receivables are shown on the basic financial statements. The allowances for doubtful accounts/notes are detailed in Note 3.

### **INVENTORIES**

Inventories held for resale in auxiliaries (including food, books and other merchandise) and unrestricted physical plant supplies are generally stated at the lower of cost (generally determined on the first-in, first-out, or moving weighted average method) or fair market value.

### **PLANT ASSETS**

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to the following dates for the various institutions which are stated at appraised values: July 1, 1964 (MiSU, BSC, NDSCS, NDSU); July 1, 1965 (UND); July 1, 1966 (VCSU, MiSU-Bottineau Campus); July 1, 1969 (DSU); July 1, 1970 (MaSU); July 1, 1984 (WSC); and July 1, 1987 (LRSC). Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of the following dates for the following institutions with subsequent additions at cost and deletions at average cost: June 30, 1973 (MaSU, VCSU); June 30, 1974 (UND, NDSCS, NDSU, MiSU-Bottineau Campus); June 30, 1976 (DSU); July 1, 1979 (MiSU); June 30, 1985 (BSC, LRSC); and June 30, 1990 (WSC).

Capital assets with a unit cost of \$5,000 or greater and all library books, are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is not allocated to the functional categories.

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond

## **NOTES TO THE FINANCIAL STATEMENTS**

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indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net assets restricted for debt service" on the Statement of Net Assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives for the System and its component units. All campuses, except UND and NDSU, use the ½ year convention.

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years
Equipment	3 – 20 years
Intangibles	15 years
Library Books	10 years

### **DEPOSITS**

Money received in advance for subsequent year's residence hall, apartment reservations and flight training costs and funds held by an institution in a fiduciary capacity are classified as deposits.

### **COMPENSATED ABSENCES**

Annual and sick leave are a part of permanent employees' compensation as set forth in NDCC section 54-06-14. In general, accrued annual leave cannot exceed 30 days at each calendar year end while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees who vest at 10 years of credible service are paid one-tenth of their accumulated sick leave upon termination or retirement. Compensated absences are accrued when earned.

### **SCHOLARSHIP ALLOWANCES**

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net assets. Scholarship discounts and allowances are the difference between the System's state rates and charges and the amount actually paid by students and/or third parties making payments on behalf of students. Under this approach, scholarships, waivers and grants are considered as reductions in tuition and fee revenues rather than as expenses. Therefore, student tuition and fees and auxiliary revenues are presented net of scholarships applied to student's accounts. Certain other scholarship amounts paid or refunded directly to the student are generally reflected as expenses.

### **PLEDGES**

Pledges for gifts that are made directly to component units and related and affiliated organizations, which will benefit the University System, will be recorded as revenue when received as detailed in Note 16.

### **NET ASSETS**

Net assets are classified according to external donor restrictions or availability of assets for satisfaction

## NOTES TO THE FINANCIAL STATEMENTS

of University System obligations. Restricted Net Assets represent funds that have been restricted for specific purposes by donors or granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted Net Assets are all other funds available at the discretion of the University System. Invested In Capital Assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

### RESTATEMENT OF BEGINNING NET ASSETS

	Primary Institution	Component Units
Net assets, beginning of the year, as previously reported	\$ 674,383,026	\$ 407,631,729
Prior period adjustments:		
Other	-	827,952
Net assets, beginning of the year, as restated	\$ 674,383,026	\$ 408,459,681

### NOTE 2 – DEPOSITS AND INVESTMENTS

The Governmental Accounting Standards Board issued Statement No. 40, *Deposit and Investment Risk Disclosures*, to update the custodial credit risk disclosure requirements of Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*, and to establish more comprehensive disclosure requirements concerning other common risks of deposits and investments. The System implemented Statement No. 40 in fiscal year 2005 as presented below.

#### LIMITATIONS

##### Primary Institution

North Dakota Century Code (NDCC) governs the deposit and investment policies of the System. NDCC Section 6-09-07 states, "All state funds...must be deposited in the Bank of North Dakota (BND) ...or must be deposited in accordance with constitutional and statutory provisions."

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the BND.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the BND, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The Board may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

## NOTES TO THE FINANCIAL STATEMENTS

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### Major Component Units

Subject to any limitations in gift instruments, funds may be invested in any real or personal property deemed advisable by the governing board in accordance with the component unit's investment policies.

### DEPOSITS

Cash and Cash Equivalents are reported on the Statement of Net Assets for the System and its major component units as follows:

#### Primary Institution

	June 30, 2007	
	Carrying Amount	Bank Balance
Cash Deposits	\$ 69,668,812	\$ 74,281,701
Certificates of Deposit	122,856,151	122,856,151
Total Bank Deposits	192,524,963	\$ 197,137,852
Add: Cash on Hand/Petty Cash	261,755	
Less: Amts. credit risked as deposits but reported as investments	(122,856,151)	
Cash & Cash Equivalents per Statement of Net Assets	<u>\$ 69,930,567</u>	

#### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System does not specifically address policies concerning custodial credit risk and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2007, \$193 million of the System's bank balance of \$197 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$187,736,894
Uninsured and collateral held by pledging bank not in system's name	5,712,449

### Major Component Units

	June 30, 2007	
	Carrying Amount	Bank Balance
Cash Deposits	\$ 23,774,488	\$ 24,159,610
Certificates of Deposit	590,308	587,715
Total Bank Deposits	24,364,796	\$ 24,747,325
Add: Cash on Hand/Petty Cash	1,450	
Less: Amts. credit risked as deposits but reported as investments	(590,308)	
Cash & Cash Equivalents per Statement of Net Assets	<u>\$ 23,775,938</u>	

## NOTES TO THE FINANCIAL STATEMENTS

### *Custodial Credit Risk*

As of June 30, 2007, \$19.8 million of the component units' bank balance of \$24.8 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$11,767,197
Uninsured and collateral held by pledging bank not in system's name	\$ 7,789,789
Uninsured and collateral held by pledging bank's trust department not in system's name	\$ 243,145

### Investments

Investments are reported for the System and its major component units at fair value (market) and reported on the Statement of Net Assets as follows:

As of June 30, 2007, the System had investments as shown below:

### Primary Institution

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	Over 10 years
US Treasuries	\$ 7,325,632	\$ 2,821,599	\$ 4,035,144	\$ 468,753	\$ 136
Corporate Bonds	122,369	49,789	24,177	48,403	-
Mutual Bond Funds	1,013,443	1,013,443	-	-	-
FNMA	563,211	-	563,211	-	-
FHLMC	202,054	-	133,413	68,641	-
Repurchase Agreements	13,478,328	13,478,328	-	-	-
Certificates of Deposit-BND	122,625,449	64,223,449	58,297,000	105,000	-
Certificates of Deposit-Other	257,256	243,240	2,400	-	11,616
Guaranteed Investment Contracts	6,679,482	6,679,482	-	-	-
Other	-	-	-	-	-
Subtotal	<u>\$ 152,267,224</u>	<u>\$ 88,509,330</u>	<u>\$ 63,055,345</u>	<u>\$ 690,797</u>	<u>\$ 11,752</u>
Stocks	14,273,501				
Equity Mutual Funds	1,803,112				
Money Market Mutual Funds	371,649				
Other	<u>735,504</u>				
Total Investments per the Statement of Net assets	<u>\$ 169,450,990</u>				

### Repurchase Agreements

On March 7, 2006 UND (borrower) and the bank of North Dakota (trustee/buyer) entered into repurchase agreements with JP Morgan Chase Bank, NA (seller) and Wells Fargo Bank NA (custodian). The primary transactions included a "Construction Fund Transaction" and a "Capitalized Interest Transaction" with funds derived from the proceeds of the sale of North Dakota Housing and Auxiliary Facilities Revenue Bonds Series 2006.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Per NDCC the system is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. Accordingly, the system does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Campuses choose terms based on maximizing their return within the limits of their cash flow needs. Campuses rely on brokers to provide year-end market values for the approximately \$17 million of investments held with those brokers.

## NOTES TO THE FINANCIAL STATEMENTS

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investments in a single issuer. Investments with the following issuers represent 5 percent or more of the System's total investments at June 30, 2007.

Bank of North Dakota	\$136,249,065
U.S. Bank	9,710,450
Alerus Financial	15,340,550
	<u>\$161,300,065</u>

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligation. As of June 30, 2007, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Credit Quality Rating				
	AAA	AA	A+	A	Not Rated
Corporate Bonds	\$ 24,238	\$ 24,792	\$ 48,342	\$ 24,997	\$ -
Mutual Bond Funds	-	-	-	-	1,013,443
Repurchase Agreements	-	-	-	-	13,478,328
FNMA	290,391	-	-	-	272,820
FHLMC	182,225	-	-	-	19,829
Other	-	-	-	-	-
Total	<u>\$ 496,854</u>	<u>\$ 24,792</u>	<u>\$ 48,342</u>	<u>\$ 24,997</u>	<u>\$ 14,784,420</u>

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counterparty to a transaction, the institution would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2007, the system had \$1.25 million of investments that were uninsured and not registered in the name of the system. Thereby, the exposure of these investments to custodial credit risk has been heightened.

### Major Component Units

As of June 30, 2007, the major component units had investments as shown below:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 412,939	\$ 5,050	\$ 361,812	\$ 46,077	\$ -
US Agencies	54,220	-	-	-	54,220
Corporate Bonds	3,735,100	632,807	2,032,345	784,817	285,131
State and Municipal Bonds	84,221	-	-	57,481	26,740
Mutual Bond Funds	39,560,641	1,110,711	23,854,812	-	14,595,118
Commercial Paper	400,000	400,000	-	-	-
FNMA	475,425	31,223	216,142	228,060	-
FHLMC	1,823,121	182,112	536,438	528,651	575,920
Other	1,545,336	-	1,545,336	-	-
Subtotal	<u>\$ 48,091,003</u>	<u>\$ 2,361,903</u>	<u>\$ 28,546,885</u>	<u>\$ 1,645,086</u>	<u>\$ 15,537,129</u>
Stocks	10,427,757				
Equity Mutual Funds	142,756,946				
Life income and annuity funds	5,338,611				
Trust Funds	52,565,293				
Investment in Real Estate	20,484,351				
Limited Partnerships	-				
Money Market Funds/Cash	3,396,956				
Certificates of Deposit	1,475,057				
Other	38,390,970				
Total Investments per the Statement of Net assets	<u>\$ 322,926,944</u>				

## NOTES TO THE FINANCIAL STATEMENTS

### Interest Rate Risk

Minot State University Development Foundation's investment policy addresses interest rate risk as it relates to duration and maturity of investments concurrent with interest rates, without specifically limiting maturities. North Dakota State University Development Foundation's investment policy addresses interest rate risk by requiring allocation of fixed income securities among maturities of different lengths according to interest rate prospects. Bismarck State College Foundation's investment policy limits the average maturity of the portfolio to between four and seven years with a maximum maturity for any one fixed income security of ten years. University of North Dakota Foundation's investment policy requires at least yearly liquidity on its alternative investment strategies and quarterly diagnostic risk analysis of all mutual funds.

### Custodial Credit Risk

As of June 30, 2007, the major component units had \$6.7 million of investments that were uninsured and not registered in the name of the component unit. Thereby, the exposure of these investments to custodial credit risk has been heightened. These investments include stocks and bonds and were held by the counterparty's trust department or agent, but not in the component units' name.

### Credit Risk

As of June 30, 2007, the component units' debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's credit quality ratings as follows.

Investment Type	Credit Quality Rating						
	AAA	AA	AA-	AA1	AA3	A+	A
Corporate Bonds	\$ 435,408	\$ 207,271	\$ 84,220	\$ 25,894	\$ 52,336	\$ 30,002	\$ 639,214
State and Municipal Bonds	84,221	-	-	-	-	-	-
Mutual Bond Funds	-	1,727,993	-	-	-	-	418,779
FNMA	169,025	-	-	-	-	-	-
FHLMC	1,052,100	-	-	-	-	-	-
Total	\$ 1,740,754	\$ 1,935,264	\$ 84,220	\$ 25,894	\$ 52,336	\$ 30,002	\$ 1,057,993

Investment Type	Credit Quality Rating - (continued)						
	A-	A1	A2	A3	Aa1	Aa2	Aa3
Corporate Bonds	\$ 109,363	\$ 74,064	\$ 97,940	\$ 24,419	\$ 48,797	\$ 24,004	\$ 24,550
State and Municipal Bonds	-	-	-	-	-	-	-
Mutual Bond Funds	-	207,436	-	-	-	239,361	-
FNMA	-	-	-	-	-	-	-
FHLMC	-	-	-	-	-	-	-
Total	\$ 109,363	\$ 281,500	\$ 97,940	\$ 24,419	\$ 48,797	\$ 263,365	\$ 24,550

Investment Type	Credit Quality Rating - (continued)					
	Aaa	BBB-	BB+	B1	Baa2	Unrated
Corporate Bonds	\$ 291,138	\$ 149,438	\$ 46,559	\$ 144,280	\$ 49,000	\$ 1,177,203
State and Municipal Bonds	-	-	-	-	-	-
Mutual Bond Funds	-	-	-	-	-	36,967,072
Commercial Paper	-	-	-	-	-	400,000
FNMA	14,873	-	-	-	-	291,527
FHLMC	-	-	-	-	-	771,021
Total	\$ 306,011	\$ 149,438	\$ 46,559	\$ 144,280	\$ 49,000	\$ 39,606,823



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 3 – RECEIVABLES

Receivables at June 30, 2007, for the primary institution consist of the following amounts:

	<u>Current</u>	<u>NonCurrent</u>	<u>Total</u>
Student and general	\$ 18,407,911		\$ 18,407,911
Interest - BND	528,532		528,532
Interest - other	-		-
Allowance for doubtful accounts	(2,347,634)		(2,347,634)
Accounts Receivable, net	<u>\$ 16,588,809</u>		<u>\$ 16,588,809</u>
Grants & contracts receivable	\$ 37,452,753		\$ 37,452,753
Due from other state agencies	2,517,659		2,517,659
Grants & contracts receivable, net	<u>\$ 39,970,412</u>		<u>\$ 39,970,412</u>
Student Loans	\$ 10,302,274	\$ 35,955,070	\$ 46,257,344
Allowance for doubtful notes	(1,256,278)	(4,344,008)	(5,600,286)
Loans receivable, net	<u>\$ 9,045,996</u>	<u>\$ 31,611,062</u>	<u>\$ 40,657,058</u>

### NOTE 4 – ENDOWMENT FUNDS

The endowment funds reported herein are donor-restricted funds in the custody of the University System. Investment income on the amount endowed is restricted for scholarships and other purposes. NDCC Section 15-67-04 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board. NDCC Section 15-67-06 applies to standard of conduct in the administration of powers to make and retain investments. It states "In making investment decisions, members of the governing board shall consider long-term and short-term needs of the institution in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions." Given the flexibility in NDCC 15-67-06, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND's policy allows up to 4.5% of the average of the last five years of assets in the Alerus endowment pool to be expended. NDSU allows expenditure of 80 percent of appreciation. MiSU allows for 4.5 percent of earnings to be used for scholarships and .5 percent for administrative expenses. MaSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds.

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2007 are \$41,319,315 and \$1,508,200, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5 – CAPITAL ASSETS

#### PRIMARY INSTITUTION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance*	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,036,095	\$ 17,000	\$ -	\$ -	\$ 16,053,095
Construction in progress	40,408,037	52,402,355	923,878	(23,442,628)	68,443,886
Total non-depreciable capital assets	\$ 56,444,132	\$ 52,419,355	\$ 923,878	\$ (23,442,628)	\$ 84,496,981
Land improvements/infrastructure	\$ 139,712,302	\$ 1,485,893	\$ -	\$ 890,659	\$ 142,088,854
Buildings	694,145,897	11,129,686	435,141	22,551,969	727,392,411
Furniture, fixtures, and equipment	190,230,727	19,565,340	8,698,817	(86,189)	201,011,061
Intangibles	16,038,688	6,000	-	-	16,044,688
Library materials	92,850,269	4,906,288	432,696	86,189	97,410,050
Total depreciable capital assets	\$ 1,132,977,883	\$ 37,093,207	\$ 9,566,654	\$ 23,442,628	\$ 1,183,947,064
Less accumulated depreciation					
Land improvements/infrastructure	\$ 52,546,477	\$ 3,378,184	\$ -	\$ 2,099,262	\$ 58,023,923
Buildings	320,434,908	16,969,346	11,835	(300,653)	337,091,766
Furniture, fixtures, and equipment	109,658,750	13,641,534	5,251,993	-	118,048,291
Intangibles	1,069,246	1,069,246	-	-	2,138,492
Library materials	69,426,344	4,321,258	432,691	(1,798,609)	71,516,302
Depreciation adjustment	-	(26,418)	(26,418)	-	-
Total accumulated depreciation	553,135,725	39,353,150	5,670,101	-	586,818,774
Total depreciable capital assets, net	\$ 579,842,158	\$ (2,259,943)	\$ 3,896,553	\$ 23,442,628	\$ 597,128,290
Capital assets, net	\$ 636,286,290	\$ 50,159,412	\$ 4,820,431	\$ -	\$ 681,625,271

\* As restated

Construction in process for the year ended June 30, 2007 was as follows:

	Amount Authorized	Expended (CIP Asset)	Authorized Balance
Bismarck State College	\$ 6,776,925	\$ 1,771,819	\$ 5,005,106
Dickinson State University	-	-	-
Mayville State University	900,000	75,467	824,533
Minot State University	-	-	-
Minot State University-Bottineau	2,668,000	2,409,280	258,720
North Dakota State College of Science	280,000	20,624	259,376
North Dakota State University	51,190,000	27,743,496	23,446,504
University of North Dakota	46,654,687	36,303,374	10,351,313
Valley City State University	-	-	-
Williston State College	286,046	119,826	166,220
Total NDUS	\$ 108,755,658	\$ 68,443,886	\$ 40,311,772

## NOTES TO THE FINANCIAL STATEMENTS

### Major Component Unit

Capital asset activity for the major component units for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,208,262	\$ 240,777	\$ 200,000	\$ -	\$ 3,249,039
Construction in progress	1,642,539	8,061,564	1,261,962	-	8,442,141
Total non-depreciable capital assets	\$ 4,850,801	\$ 8,302,341	\$ 1,461,962	\$ -	\$ 11,691,180
Land improvements/infrastructure	\$ 736,088	\$ 895,889	\$ -	\$ -	\$ 1,631,977
Buildings	115,849,090	3,700,234	-	-	119,549,324
Furniture, fixtures, and equipment	17,570,270	1,973,362	2,788,263	-	16,755,369
Total depreciable capital assets	\$ 134,155,448	\$ 6,569,485	\$ 2,788,263	\$ -	\$ 137,936,670
Less accumulated depreciation					
Land improvements/infrastructure	\$ 238,367	\$ 46,004	\$ -	\$ -	\$ 284,371
Buildings	14,256,915	6,398,127	-	-	20,655,042
Furniture, fixtures, and equipment	5,844,109	1,084,320	689,882	-	6,238,547
Total accumulated depreciation	\$ 20,339,391	\$ 7,528,451	\$ 689,882	\$ -	\$ 27,177,960
Total depreciable capital assets, net	113,816,057	(958,966)	2,098,381	-	110,758,710
Capital assets, net	\$ 118,666,858	\$ 7,343,375	\$ 3,560,343	\$ -	\$ 122,449,890

Construction in process for the major component units for the year ended June 30, 2007 was as follows:

	Amount Authorized	Expended (CIP Asset)	Authorized Balance
Bismarck State College Foundation	\$ 17,137,438	\$ 8,442,141	\$ 8,695,297

### NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2007:

Accounts Payable and Accrued Liabilities	
Accounts payable	\$ 20,921,511
Due to other state agencies	436,091
Sales tax payable	40,830
Accrued interest - BND	2,066,144
Accrued interest - Other	91,579
Contractor retainage	3,014,779
	<u>\$ 26,570,934</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7 – LONG-TERM LIABILITIES

#### PRIMARY INSTITUTION

The changes in long-term liabilities during fiscal year 2007 for the primary institution are as shown below.

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 197,175,272	\$ 22,835,000	\$ 29,385,066	\$ 190,625,206	\$ 7,567,850	\$ 183,057,356
Notes Payable	7,582,920	-	972,189	6,610,731	1,029,106	5,581,625
Capital Leases	45,001,900	7,120,393	6,041,011	46,081,282	5,160,749	40,920,533
Special Assessments	1,377,742	633,448	222,560	1,788,630	175,227	1,613,403
Compensated Absences	21,490,995	1,007,656	257,010	22,241,641	1,153,795	21,087,846
Total	<u>\$ 272,628,829</u>	<u>\$ 31,596,497</u>	<u>\$ 36,877,836</u>	<u>\$ 267,347,490</u>	<u>\$ 15,086,727</u>	<u>\$ 252,260,763</u>

#### MAJOR COMPONENT UNITS

The changes in long-term liabilities during fiscal year 2007 for the major component units are as shown below.

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 53,839,470	\$ 32,048,120	\$ 23,846,346	\$ 62,041,244	\$ 1,805,644	\$ 60,235,600
Notes Payable	6,195,474	3,681,352	1,291,540	8,585,286	1,552,605	7,032,681
Capital Leases	1,936,742	134,677	35,531	2,035,888	88,598	1,947,290
Special Assessments	212,158	464,092	13,042	663,208	33,458	629,750
Total	<u>\$ 62,183,844</u>	<u>\$ 36,328,241</u>	<u>\$ 25,186,459</u>	<u>\$ 73,325,626</u>	<u>\$ 3,480,305</u>	<u>\$ 69,845,321</u>

### NOTE 8 – BONDS PAYABLE

#### PRIMARY INSTITUTION

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Amounts held by the trustee specifically for payment on bonds are reflected in Net Assets, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2007, is presented below and the detail is presented in the Supplementary Information section following these notes.

## NOTES TO THE FINANCIAL STATEMENTS

	Original Balances	Interest Rates	Balances Outstanding
Bismarck State College	\$ 5,450,000	3.4 - 6.1%	\$ 4,335,000
Dickinson State University	775,000	3.75 - 5.0%	730,000
Lake Region State College	1,050,000	3.0-5.125%	875,000
Mayville State University	3,495,000	3.0 - 5.38%	2,652,456
Minot State University	10,801,000	0 - 5.25%	7,224,500
Minot State University - Bottineau	390,000	6.25 - 6.9%	126,000
North Dakota State College of Science	3,035,000	0 - 5.5%	1,581,250
North Dakota State University	137,590,000	0 - 5.6%	80,705,375
University of North Dakota	89,190,000	0 - 5.0%	76,778,125
Valley City State University	4,050,000	4.3 - 7.25%	3,385,000
Williston State College	2,046,000	0 - 4.75%	766,000
North Dakota University System	14,200,000	0 - 4.28%	11,466,500
Total Bonds Payable	\$ 272,072,000		\$ 190,625,206

### Industrial Commission Bonds

For the 2005-2007 biennium, the North Dakota University System Office received an appropriation of \$14.3 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. Of this total, \$1.28 million is special funds, which is the amount the campuses pay as local match. During fiscal year 2007, the North Dakota University System Office paid \$6.0 million in general funds to the Industrial Commission of North Dakota.

### Refunding and Defeased Bonds

The purpose of a refunding bond is to refund in advance of maturity another bond issue. Under an advanced refunding arrangement, refunding bonds are issued, and the net proceeds plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University System's financial statements. The following is a description of the University System's defeased bonds and the balance of the bonds outstanding in the trust.

#### Mayville State University

On July 1, 1998, Mayville State University issued \$695,000 of Student Center Refunding Revenue Bonds (Series 1998) to advance refund \$640,000 of outstanding 1989 Student Center Revenue Bonds. The principal amount outstanding as of June 30, 2007 of the original 1989 bonds refunded, totaled \$150,000.

#### North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued \$2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001). These bonds were used to i) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970, Dormitory Revenue Bonds of 1970, and Dormitory Revenue Bonds of 1972; ii) finance the cost of the construction of the parking lot and related improvements at the College; and iii) to pay certain costs associated with the issuance of the Series 2001 bonds. The principal amount outstanding as of June 30, 2007, of the original 1970 bonds refunded, is \$845,000.

## NOTES TO THE FINANCIAL STATEMENTS

### North Dakota State University

On May 1, 2006, North Dakota State University issued \$2,845,000 of Housing & Auxiliary Facilities Revenue Bonds, (Series 2006B) with an average interest rate of 4.625 percent. The bonds were used to advance refund a portion (\$2,880,000) of outstanding 1999 Student Health & Wellness Center Revenue Bonds (with an average interest rate of 5.3 percent). The University advance refunded the bonds to reduce its total debt service payments over the next 13 years by approximately \$422,000 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$245,000. The principal amount outstanding as of June 30, 2007 of the original amount of the portion of the 1999 bonds refunded, totaled \$2,880,000.

On December 30, 1985, the University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The principal amounts outstanding as of June 30, 2007 of the original bonds refunded, total \$705,000.

### University of North Dakota

On January 1, 1998, the University of North Dakota issued \$22.6 million of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 1998A) to advance refund \$20.4 million of outstanding 1988 Series A & B Housing and Auxiliary Facilities Refunding Revenue Bonds and to provide \$450,000 for parking lot construction at the Rural Technology Center. The principal amount outstanding as of June 30, 2007, of the original 1988 bonds refunded, totaled \$11,635,000.

Housing and Auxiliary Facilities Refunding Series 1985A bonds were originally issued (in addition to financing construction costs) to refund in advance of maturity, the outstanding advanced refunding bonds as follows: (a) \$14,520,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984A, and (b) \$3,750,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984B. The principal amounts outstanding as of June 30, 2006, of the original bonds refunded by the advance refunding of 1985, totaled \$0. Housing and Auxiliary Facilities Refunding Bonds Series 1984A, which were included in the advance refunding of 1985 as described above, were originally issued in 1984 for the purpose of advance refunding certain outstanding bonds (Series I through Series N). The principal amounts outstanding as of June 30, 2007 of the original bonds refunded by the advance refunding of 1984 totaled \$0. Housing and Auxiliary Facilities Revenue Bonds Series I and Series J, which were included in the advance refunding of 1984 as described above, were originally issued in 1975 for the purpose of advance refunding certain outstanding bonds of the University. The principal amounts outstanding as of June 30, 2007, of the original bonds refunded by the advance refunding of 1975, totaled \$275,000.

### Scheduled Maturities of Bonds Payable – Primary Institution

Fiscal Year	Principal	Interest	Total
2008	\$ 7,567,850	\$ 8,559,611	\$ 16,127,461
2009	8,443,460	8,273,937	16,717,397
2010	8,358,909	7,958,399	16,317,308
2011	8,674,263	7,720,613	16,394,876
2012	8,758,488	7,264,581	16,023,069
2013 - 2017	29,723,081	31,447,883	61,170,964
2018 - 2022	31,564,155	25,046,910	56,611,065
2023 - 2027	31,360,000	17,973,615	49,333,615
2028 - 2032	38,405,000	9,792,644	48,197,644
2033 - 2037	17,770,000	1,696,576	19,466,576
	<u>\$ 190,625,206</u>	<u>\$ 125,734,769</u>	<u>\$ 316,359,975</u>

## NOTES TO THE FINANCIAL STATEMENTS

### MAJOR COMPONENT UNITS

Issue	Interest Rate	Balance Outstanding
<b>BSC Foundation</b>		
2006 MIDA revenue bonds, annual principal payments and semi-annual interest payments, maturity October, 2007.	4.5-5.25%	\$ 1,400,000
2007 Series A MIDA revenue bonds., quarterly principal and interest payments, maturity April, 2012.	4.5-5.25%	\$ 2,813,120
2007 Series B MIDA revenue bonds, quarterly principal and interest payments, maturity April, 2032.	5.01%	\$ 5,000,000
<b>NDSU Development Foundation</b>		
First Mortgage Revenue Bonds, semi-annual principal and interest installments of \$80,645, maturity December 2018, interest rate fixed	5.19%	\$ 1,383,710
University Facilities Revenue Bonds, series 2003, variable semi-annual interest and annual principal installments, maturity November 2024, interest rate variable	2.5%-4.7%	\$ 3,905,000
University Facilities Revenue Bonds, series 2005, semi-annual principal and interest installments of \$165,998, maturity December 2020, interest rate fixed	4.89%	\$ 3,252,784
<b>NDSU Research &amp; Technology Park, Inc.</b>		
2000 Series A and B Tax Exempt Lease Revenue Bonds, maturity June 30, 2022, semi-annual principal and interest payment, interest rate variable	5.375%-5.6%	\$ 1,060,000
2002 Series A Tax Exempt Lease Revenue Bonds, maturity June 30, 2032, semi-annual principal and interest payment, interest rate variable	3.0%-5.0%	\$ 2,390,000
2007 Series B Tax Exempt Lease Revenue Bonds, maturity June 30, 2032, semi-annual principal and interest payment, interest rate variable	4.0%- 6.5%	\$ 17,905,000
2007 Series A Tax Exempt Lease Revenue Bonds, maturity June 30, 2022, semi-annual principal and interest payment, interest rate variable	4.0%-4.125%	\$ 4,720,000
<b>Arena Holdings Charitable LLC</b>		
Series 2003 revenue bonds, variable semi-annual principal and interest installments, maturity December 2030, interest variable at five-year intervals, based on 225 basis points over the five-year LIBOR rate	3.93%	\$ 3,669,262
Series 2004 revenue bonds, variable semi-annual principal and interest installments, maturity December 2030, interest rate based on prime less 25 basis points	5.33%	\$ 3,182,368
<b>UND Foundation</b>		
2002 tax-exempt lease revenue bonds, variable semi-annual principal and interest installments, maturity June 2027, interest rate fixed	2.5% - 5.13%	\$ 7,660,000
2003 tax-exempt lease revenue bonds, semi-annual interest installments, optional semi-annual principal installments of \$100,000, maturity June 2018, interest rate adjusts semi-annually to 121 basis points over the 6-month LIBOR rate	3.7%	\$ 3,700,000
<b>Total Component Unit Bonds Payable</b>		<u>\$ 62,041,244</u>



## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Bonds Payable – Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,805,644	\$ 2,020,108	\$ 3,825,752
2009	2,553,836	2,012,697	4,566,533
2010	2,477,065	1,913,401	4,390,466
2011	2,907,557	1,823,798	4,731,355
2012	2,835,421	1,703,541	4,538,962
2013 - 2017	11,199,950	7,369,927	18,569,877
2018 - 2022	17,893,382	5,404,001	23,297,383
2023 - 2027	10,093,100	3,124,161	13,217,261
2028 - 2032	10,275,289	1,197,095	11,472,384
2033 - 2037	-	-	-
	<u>\$62,041,244</u>	<u>\$26,568,729</u>	<u>\$88,609,973</u>

### Nonrecourse Lease Revenue Bonds

In July 2000, the UND Aerospace Foundation issued \$13,770,000 of nonrecourse lease revenue bonds, which bear interest at 4.375 to 5 percent with various maturities beginning September 1, 2000 and continuing through September 2010. The proceeds of the bonds were principally used to refinance UND leases for its facilities and equipment. In conjunction with the issuance of these bonds, the UND Foundation entered into a lease agreement as lessor with UND for the facilities and equipment. Payments under the lease agreement match the principal and interest payments due on the bonds and will be paid by UND directly to the bond trustee as a result of the UND Foundation assigning all of its rights and interest as lessor to the bond trustee. The UND Aerospace Foundation, as issuer, does not have any obligation to pay the bonds beyond the rents paid by UND to the bond trustee under the lease agreement and has also granted the trustee a security interest in the related leased equipment. In the event of UND's default under the lease agreement (as defined), the bondholders do not have any rights to collect from the UND Foundation other than the proceeds from the sale or release of the leased equipment. The outstanding balance of the bonds on June 30, 2007 is \$3,725,000. The lease, lease assignment, and bond agreements provide for the legal right of offset, permitting the related assets and debt to be netted for financial reporting purposes.

## NOTE 9 – NOTES PAYABLE

### PRIMARY INSTITUTION

#### Energy Performance Contracts

Several campuses have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Details of the notes are as follows:



## NOTES TO THE FINANCIAL STATEMENTS

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2007
Bismarck State College	\$ 1,492,000	July 2012	5.01%	\$ 1,033,310
Dickinson State University	2,256,164	July 2013	4.09%	1,667,171
Lake Region State College	932,726	February 2015	4.41%	729,469
Mayville State University	1,193,632	September 2011	5.25%	720,459
Minot State University	1,158,054	December 2012	4.22%	698,785
Minot State University - Bottineau	378,067	August 2013	4.27%	254,333
North Dakota State College of Science	1,915,887	November 2009	5.52%	837,817
Valley City State University	1,065,688	November 2011	4.87%	669,387
<b>Total Notes Payable</b>	<b>\$ 10,392,218</b>			<b>\$ 6,610,731</b>

### Scheduled Maturities of Notes Payable – Primary Institution

Fiscal Year	Principal	Interest	Total
2008	\$ 1,029,106	\$ 284,735	\$ 1,313,841
2009	1,105,987	236,322	1,342,309
2010	1,183,033	181,571	1,364,604
2011	1,065,064	126,101	1,191,165
2012	1,079,480	81,027	1,160,507
2013 - 2017	1,148,061	44,239	1,192,300
2018 - 2022	-	-	-
2023 - 2027	-	-	-
	<u>\$ 6,610,731</u>	<u>\$ 953,995</u>	<u>\$ 7,564,726</u>

### MAJOR COMPONENT UNITS

#### Financing Structure for the Commuter Regional Jet Simulator – UND Aerospace Foundation

The financing structure for the CRJ simulator acquisition consists of a series of notes payable. Note payable A was \$587,000 down payment of the CRJ simulator. Monthly payments of \$8,585 will be made through December 2007, after which the balance of the loan will be rolled into note payable C in January 2008. Note payable B related to installment payments for the CRJ simulator. Interest was payable monthly for note payable B until the completion of the simulator. Upon delivery of the simulator in February 2003, this note was refinanced into note payable C. Note payable C will mature in 5 years, January 2008, and then be rolled into note payable D. Note payable D (former notes payable A and C) will have a five-year maturity, due in January 2013. The UND Aerospace Foundation has additional borrowing capacity of \$262,769 on the Alerus aircraft and simulators note payable as of June 30, 2006. The Foundation also had a discretionary line of credit with a bank of \$250,000. There were no borrowings under the line of credit at June 30, 2007. Certain assets (primarily aircraft and CRJ simulators) have been pledged as security for the above borrowings.

Detail of notes payable for the component units is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

	Interest Rate	Installments	Balance Outstanding
<b>DSU Foundation</b>			
American Bankcenter mortgage payable, monthly principal and interest installments, maturity April 2010, interest rate fixed	5.625%	\$2,194	\$ 336,448
American Bankcenter mortgage payable, monthly principal and interest installments, maturity April 2010, interest rate fixed	6.785%	\$1,050	\$ 145,265
Dacotah Bank mortgage payable, monthly principal and interest installments, maturity January 2011, interest rate fixed	6.45%	\$427	\$ 47,734
<b>MISU Development Foundation</b>			
First Western Bank mortgage payable, monthly principal and interest installments, maturity September 2007, interest rate fixed	6.0%	\$400	\$ 755
First Western Bank mortgage payable, monthly principal and interest installments, maturity August 2007, interest rate fixed	6.0%	\$475	\$ 1,211
First Western Bank mortgage payable, monthly principal and interest installments, maturity October 2007, interest rate fixed	7.0%	\$672	\$ 88,000
<b>NDSU Development Foundation</b>			
Note payable, semi-annual principal and interest installments, maturity January 2013, interest rate fixed	2.77%	\$1,800	\$ 19,774
Note payable, semi-annual principal and interest installments, maturity January 2013, interest rate fixed	6.86%	\$26,910	\$ 2,348,000
<b>NDSU Research &amp; Tech Park, Inc.</b>			
Growth Initiative Fund non-interest bearing note, due in annual installments with a maturity of August 2009.	-	Various	\$ 460,000
North Dakota Development Fund note payable, lump sum due August 2007.	3.0%	-	\$ 250,000
North Dakota Development Fund note payable, lump sum due December 2016.	3.0%	-	\$ 350,000
U.S. Bank note payable, monthly principal and interest installments, maturity October 2009, interest rate fixed	7.5%	\$8,722	\$ 223,352
<b>RE Arena, Inc</b>			
Earl Stringden, Inc. note payable, monthly principal and interest installments, maturity August 2007, interest rate fixed	5.0%	\$3,000	\$ 3,668
<b>UND Aerospace Foundation</b>			
Alerus commuter regional jet simulator down payment note payable A, monthly principal and interest payments, maturity January 2008, interest based on prime	8.25%	\$8,585	\$ 373,193
Alerus commuter regional jet simulator down payment note payable C (formerly note payable B, monthly principal and interest payments, maturity April 2008, interest based on prime	8.25%	\$18,115	\$ 1,218,404
Bremer air traffic control tower simulator note payable, monthly principal and interest payments, balance due August 2008, interest based on 230 basis points over 30-day LIBOR average	7.62%	\$20,080	\$ 272,059
Alerus aircraft and simulators note payable, monthly principal and interest installments, balance due August 2006, interest based on 275 basis points over LIBOR	8.07%	1.2% of principal, plus interest	\$ 905,475
Sovereign Bank note payable, due in monthly principal and interest payments of \$8,205, balance due December 2015, interest rate fixed	5.998%	1.2% of principal, plus interest	\$ 841,948
<b>UND Foundation</b>			
Wells Fargo Brokerage Services note payable, monthly interest, principal due January 2012, variable interest rate		interest only	\$ 700,000
<b>Total Component Unit Notes Payable</b>			<b>\$ 8,585,286</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Notes Payable – Major Component Units

Fiscal Year	Principal	Interest	Total
2008	\$ 1,552,605	\$ 486,026	\$ 2,038,631
2009	1,231,439	436,531	1,667,970
2010	2,110,212	338,629	2,448,841
2011	567,245	229,234	796,479
2012	565,068	187,809	752,877
2013 - 2017	2,558,717	412,437	2,971,154
2018 - 2022	-	-	-
	<u>\$ 8,585,286</u>	<u>\$ 2,090,666</u>	<u>\$ 10,675,952</u>

## NOTE 10 – CAPITAL LEASES

### PRIMARY INSTITUTION

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2041.

### Scheduled Maturities of Capital Leases – Primary Institution

Fiscal Year	Principal	Interest	Total
2008	\$ 5,160,749	\$ 2,342,645	\$ 7,503,394
2009	5,004,615	2,232,210	7,236,825
2010	3,973,947	2,065,740	6,039,687
2011	3,648,938	1,747,652	5,396,590
2012	2,874,191	1,104,607	3,978,798
2013 - 2017	10,367,507	4,746,715	15,114,222
2018 - 2022	6,977,467	2,823,072	9,800,539
2023 - 2027	4,467,912	1,498,210	5,966,122
2028 - 2032	1,016,662	804,778	1,821,440
2033 - 2037	1,297,547	523,893	1,821,440
2038 - 2042	1,291,747	165,405	1,457,152
	<u>\$ 46,081,282</u>	<u>\$ 20,054,927</u>	<u>\$ 66,136,209</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Capital Leases – Component Units

Fiscal Year	Principal	Interest	Total
2008	\$ 88,598	\$ 95,848	\$ 184,446
2009	85,871	91,841	177,712
2010	77,292	88,153	165,445
2011	42,805	83,481	126,286
2012	44,845	81,494	126,339
2013 - 2017	258,393	373,304	631,697
2018 - 2022	326,115	305,582	631,697
2023 - 2027	411,587	220,110	631,697
2028 - 2032	519,460	112,237	631,697
2033 - 2037	180,922	8,588	189,510
2038 - 2042	-	-	-
	<u>\$ 2,035,888</u>	<u>\$ 1,460,638</u>	<u>\$ 3,496,526</u>

## NOTE 11 – OTHER LONG-TERM LIABILITIES

### SPECIAL ASSESSMENTS

The institutions and major component units receive special assessments from the city or county for improvements made to roads and infrastructure owned by the city or county that are adjacent to or on campus property.

### Scheduled Maturities of Special Assessments

Fiscal Year	PRIMARY INSTITUTION		
	Principal	Interest	Total
2008	\$ 175,227	\$ 93,985	\$ 269,212
2009	165,859	90,506	256,365
2010	162,095	83,376	245,471
2011	142,676	72,197	214,873
2012	134,939	63,986	198,925
2013 - 2017	567,843	210,846	778,689
2018 - 2022	308,183	80,556	388,739
2023 - 2027	80,117	28,346	108,463
2028 - 2032	51,691	6,272	57,963
2033 - 2037	-	-	-
	<u>\$ 1,788,630</u>	<u>\$ 730,070</u>	<u>\$ 2,518,700</u>

## NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year	COMPONENT UNITS		
	Principal	Interest	Total
2008	\$ 33,458	\$ 33,160	\$ 66,618
2009	34,000	32,000	66,000
2010	35,000	31,000	66,000
2011	36,000	30,000	66,000
2012	37,000	29,000	66,000
2013 - 2017	487,750	130,000	617,750
2018 - 2022	-	-	-
2023 - 2027	-	-	-
	<u>\$ 663,208</u>	<u>\$ 285,160</u>	<u>\$ 948,368</u>

### Compensated Absences

The compensated absences liability of the institutions at June 30, 2007 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2007 and 2006 totaled \$22,241,641 and \$21,490,994, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

### NOTE 12 – RETIREMENT BENEFITS

The North Dakota University System participates in two major retirement systems: North Dakota Public Employees' Retirement System administered by the State of North Dakota and a privately administered retirement system: Teachers' Insurance Annuity Association and College Retirement Equity Fund. The following is a brief description of each plan:

#### NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)

##### Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University System. The plan provides retirement, disability and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employees' normal retirement benefit calculated as if the employee were age 65 the day before the death occurred (or, effective August 1, 1995, monthly payments in an amount equal to the employee's accrued 100 percent joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death). If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the

Retirement Board for being considered totally disabled. Employees are entitled to unreduced monthly

## NOTES TO THE FINANCIAL STATEMENTS

pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 2 percent of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with five or more years of service. A financial report that includes financial statements and the required supplementary information for NDPERS can be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

### Funding Policy

NDPERS is funded by employee contributions (set by statute) of 4 percent of regular compensation. During the 1983-1985 biennium the State implemented the employer pickup provision of the IRS code whereby the employer makes all or a portion of the required employee contributions. The State is paying the full employee contribution. Employer contributions of 4.12 percent of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. The University System's required and actual contributions to NDPERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$5,724,615, \$5,486,198, and \$5,209,148, respectively.

### TIAA-CREF RETIREMENT PLAN

#### Description of Plan

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

#### Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule:

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I and III	0 thru 10	1.5%	9.5%
	over 10	2.0%	10.0%
II	0 thru 2	0.5%	4.5%
	3 thru 10	1.5%	9.5%
	over 10	2.0%	10.0%
IV	0	1.0%	9.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

\*A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

## **NOTES TO THE FINANCIAL STATEMENTS**

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Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$21,503,188 and \$20,163,059 to TIAA-CREF during the fiscal years ending June 30, 2007 and 2006, respectively.

### **NOTE 13 – POST-EMPLOYMENT BENEFITS**

#### **STATE GROUP HEALTH PLAN**

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan. The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at one percent of covered compensation.

There are approximately 654 retired University System employees receiving these benefits and 2,778 active employees with retiree health credit. The actuarially determined required employer contribution of \$688,279 for the year ended June 30, 2007, is one percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2007, 2006 and 2005 were \$688,279, \$675,672 and \$651,494, respectively.

As of June 30, 2007 there was \$45.3 million in net assets available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$85.3 million and the underfunded actuarially accrued liability was \$46.5 million at June 30, 2007.

#### **TERMINATION BENEFITS**

##### **Early Retirement Agreements**

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the Board has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, and other system office professional staff, and presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2007, 16 employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2007, 16 University System employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$332,160 over the next five years. Amounts payable to employees at June 30, 2007 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$688,885, assuming health insurance premium increases of 5-10 percent and a discount rate of 2.15 percent.



## NOTES TO THE FINANCIAL STATEMENTS

### Severance Agreements

In fiscal year 2007, institutions paid \$435,559 to ten employees under separate employment separation agreements.

### NOTE 14 – CONSTRUCTION COMMITMENTS AND FINANCING

The campuses have contracted for various construction projects as of June 30, 2007. Estimated costs To complete the various projects and the sources of anticipated funding are presented below.

Campus	Contracts Awarded	Expended Through June 30, 2007	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 5,141,328	\$ 618,028	\$ 4,523,300			\$ 1,033,300	\$ 3,490,000
DSU	3,300,589	3,095,860	204,729		204,729		
LRSC			-				
MaSU			-				
MISU	118,379	112,460	5,919				5,919
MISU-B	2,613,313	2,416,245	197,068		80,366		116,702
NDSUS	2,238,527	377,660	1,860,867		652,226		1,208,641
NDSU	39,665,712	27,743,496	11,922,216				11,922,216
UND	58,125,361	51,402,538	6,722,823	56,317	151,346		6,515,160
VCSU			-				
WSC	85,220	78,270	6,950			6,950	
Total	\$ 111,288,429	\$ 85,844,557	\$ 25,443,872	\$ 56,317	\$ 1,088,667	\$ 1,040,250	\$ 23,258,638

### NOTE 15 –COMPONENT UNIT TRANSACTIONS

#### MAJOR COMPONENT UNITS

##### Bismarck State College and Bismarck State College Foundation

On August 25, 2005, BSC through the North Dakota State Board of Higher Education entered into a lease and development agreement, whereby BSC leases a tract of land to the foundation for \$1 per year for the next twenty-five years. Per the agreement, the foundation will develop and construct the Career and Technology Institute on the leased land and an adjoining seven-acre tract owned by the foundation. At the end of the lease, the leased land, including buildings and fixtures attached thereto, will revert back to BSC and the foundation will transfer to BSC title to the seven-acre tract of land, including all buildings and fixtures attached to it.

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

##### Dickinson State University and Dickinson State University Foundation

DSU provides personnel and other services to the foundation at no charge, as in-kind reimbursement for services provided by the foundation, including one-half salary and fringe benefits of foundation employees, payroll preparation services, postage, utilities and buildings and ground services. For the



## **NOTES TO THE FINANCIAL STATEMENTS**

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year ended June 30, 2007, DSU has valued these services at approximately \$113,000.

### **Minot State University and Minot State University Development Foundation**

At June 30, 2007 MSU had a receivable of \$50,410 due from the foundation for scholarships.

### **North Dakota State University and NDSU Research and Technology Park, Inc.**

On December 30, 1999, NDSU through the State of North Dakota and the North Dakota State Board of Higher Education entered into a ground lease, whereby the NDSU Research & Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

The audited financial statements of RTP for fiscal year 2007 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP. Since RTP is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for Research Buildings 1 and 2, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$1,525,963 through July 2013, plus utilities and insurance. Total payments under these agreements in fiscal year 2007 were approximately \$2.2 million. These agreements are subject to funding and legislative appropriations. On July 1, 2002, NDSU and RTP entered into an agreement for cooperation and assistance between entities. The agreement automatically extends for one-year periods unless cancelled by either party to the agreement.

### **North Dakota State University and NDSU Development Foundation**

#### **NDSU Equine Center**

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$313,572 in fiscal year 2007 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,905,000 as of June 30, 2007. Since the Development Foundation is a

## **NOTES TO THE FINANCIAL STATEMENTS**

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discretely presented component unit of the University System and the component unit and the

University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **Fargodome Lease and Improvements**

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. NDSU paid the Development Foundation \$57,500 in fiscal year 2007 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,252,784 as of June 30, 2007. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the

University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **NDSU Downtown Campus**

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. NDSU entered into an agreement with 650 NP Avenue, LLC and Kilbourne Design Group, LLC (formerly consolidated in the financial statements of the foundation) to lease the property for \$49,583 per month through August 12, 2011 with an option to renew for two five-year periods. During fiscal year 2005, the foundation transferred nearly the entire ownership in 650 NP Avenue, LLC and Kilbourne Design Group, LLC; therefore, they are no longer consolidated in the financial statements of the foundation. When the sublease with NDSU expires, the intent is to transfer the property back to the foundation and a new lease between the foundation and NDSU will be negotiated.

In fiscal year 2003 and 2004, the facility was reported on the financial statements of the NDSU Development Foundation as construction in progress and a short-term liability (for the construction loan). No asset or liability is reported in fiscal year 2005 or 2006 due to the transfer of ownership. The tax credits along with the deduction for donations bring the net cost to \$5.6 million, which is shown as a capital asset and capital lease liability on the books and financial statements of NDSU. The lease payments are recorded as interest only by NDSU until fiscal 2011, when the property is transferred back to the Development Foundation and lease revenue bonds will be issued to finance the acquisition.

### **Aircraft**

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. The University is

## NOTES TO THE FINANCIAL STATEMENTS

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responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution

### Other Transactions

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid under these agreements in fiscal year 2007 were \$700,740. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

### **University of North Dakota and UND Aerospace Foundation**

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$1.6 million in fiscal 2007. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.3 million. These expense reimbursements represent actual costs incurred.

In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2007, the foundation has recorded accounts payable to UND of \$102,483 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003 until July 6, 2023. For the first 15 years of the sublease, UND will pay the foundation monthly minimum payments of \$12,672 beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the foundation in the construction of the hangar. The audited financial statements for fiscal year 2007 of the foundation report the capital assets and related debt for this lease. Since the foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, an reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **University of North Dakota and RE Arena, Inc.**

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Englestad Arena, which was constructed in 2001 for the benefit of UND athletics. On July 1, 2004, UND and RE Arena, Inc., entered into a usage agreement with regards to the arena that sets forth facility usage, fees and services, and net income disposition. In accordance with this agreement, UND will control all ticket revenue from UND athletic events held in the arena, UND and RE Arena, Inc. will jointly utilize UND marketing staff, and UND agrees to pay RE Arena, Inc., a stated amount of the ticket revenue from hockey, football, and men's and women's basketball events.

## **NOTES TO THE FINANCIAL STATEMENTS**

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Revenue and expenses from all other UND events held at the arena will be negotiated on an event-by-event basis. Per this agreement, UND paid approximately \$1.8 million to RE Arena, Inc., in fiscal year 2007 for event ticket revenue. Also per this agreement, RE Arena, Inc., agrees to pay a stated amount of athletic marketing revenue and net income to UND. Accordingly, RE Arena, Inc. paid UND \$378,287 in marketing revenue in fiscal year 2007. Additionally, under the agreement, RE Arena, Inc. will annually fund a reserve for extraordinary repairs, maintenance and building improvements in an amount up to \$350,000. And, on an annual basis, RE Arena, Inc. will remit to UND the net income after adding back depreciation and amortization, the funded reserve and capital expenditures for the fiscal year. RE Arena, Inc. paid UND \$350,000 under this agreement in fiscal year 2007.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2007, RE Arena, Inc. has a payable to UND of \$359,113 for these expenditures.

### **University of North Dakota and University of North Dakota Foundation**

The University of North Dakota Foundation issued through Wells Fargo Brokerage Services, LLC, tax-exempt lease revenue bonds on October 24, 2003 of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. Interest only is due on a semi-annual basis at a variable rate of interest with a maturity date of December 15, 2018. The interest rate is 3.7 percent at June 30, 2007. The foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2007 is \$3,700,000. A receivable from UND and the bond payable is included on the financial reports of the foundation and UND has recorded a capital asset and a capital lease payable as of June 30, 2007.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the foundation leases certain property to UND and UND will pay the foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$7,660,000 at June 30, 2007. The foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. Lease on the office, dated November 1, 1979, has a remaining term of two years. At June 30, 2007, due to timing of receipts and payments, the UND Foundation recorded a payable of \$265,207 to UND.

### **NON-MAJOR COMPONENT UNITS**

#### **North Dakota State University and North Dakota State University Research Foundation**

The foundation disburses 30 percent of net research fees and royalties from patents and other intellectual property or know-how to the inventor as required by state law; the remaining 70 percent is shared by NDSU and the foundation based on negotiated arrangements. Based on these agreements, \$441,068 in research fees and royalties were paid to NDSU from the foundation during the year ended

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007. Additionally, the foundation reimbursed NDSU \$185,562 for salaries for services provided by NDSU employees and \$5,101 for rent of office space.

### Valley City State University and Valley City State University Foundation

The foundation has a memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$100,700 during fiscal year 2007.

## NOTE 16 – RELATED AND AFFILIATED ORGANIZATIONS

The related and affiliated organizations are separate North Dakota nonprofit corporations whose sole functions are to provide financial and other assistance to the institutions. The organizations conduct fundraising activities and receive moneys and pledges for institutionally sponsored programs. As such, the institutions neither display nor disclose pledges. The financial activity of the organizations is not reflected in the accompanying financial statements. The assets, revenues, and program service expenditures for each organization and the free services each institution provides as of June 30, 2007 are as follows:

	Fiscal Year End <sup>1</sup>	Assets	Revenues	Program Service Expenditures	Services Provided <sup>2</sup>
<u>BSC</u>					
National Alumni Association	Jun. 30	\$93,453	\$59,592	\$16,663	None
<u>DSU</u>					
The Blue Hawk Booster Club	Dec. 31, 2006	\$68,625	\$60,282	\$25,000	None
<u>MaSU</u>					
Mutual Aid Corporation	Dec. 31, 2006	\$248,613	-\$2,400	\$0	A, J
<u>MiSU</u>					
Alumni Association Inc.	Jun. 30	\$47,475	\$197,133	\$160,399	A, J, S, U
Beaver Boosters, Inc.	Jun. 30	\$61,816	\$637,930	\$268,122	None
<u>NDSU</u>					
North Dakota 4-H Foundation	Aug. 31	\$1,210,143	\$332,337	\$124,620	A, S
Team Makers Club, Inc.	Dec. 31, 2006	\$1,914,952	\$1,687,750	\$1,673,200	A, S
<u>UND</u>					
Center for Innovation Foundation	Dec. 31	\$7,986,438	\$915,444	\$403,630	None
EERC Foundation	Jun. 30	\$422,810	\$551,408	\$64,630	J, S, U
The Fellows	Jun. 30	\$3,417,357	\$279,611	\$133,443	None
Law School Foundation	Jun. 30	\$105,536	\$4,492	\$0	None
UND Research Foundation	Jun. 30	\$2,774,426	\$4,311,746	\$0	None
<u>WSC</u>					
Teton Booster Club	Jun. 30, 2006	\$8,232	\$66,769	\$65,660	None

<sup>1</sup> Fiscal year is 2007, unless otherwise noted.

<sup>2</sup> Services Provided:

A= Accounting/Secretarial      J = Janitorial      S = Space      U = Utilities

## NOTE 17 – ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or.

## NOTES TO THE FINANCIAL STATEMENTS

stipends. The amount of on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2007 is \$64,283. There were no on-behalf payments made as contributions to a pension plan for which the System is not legally responsible.

### NOTE 18 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Assets. Operating expenses for the year ending June 30, 2007, using the “functional classification” are presented below:

<b>Operating Expenses</b>	
Instruction	\$ 238,309,999
Academic Support	54,363,220
Student Services	34,507,658
Institutional Support	69,111,271
Physical Plant	47,705,226
Scholarships and Fellowships	23,494,578
Auxiliary Enterprises	95,930,087
Public Service	41,717,310
Research	116,690,574
Depreciation	39,353,150
Total	<u>\$ 761,183,073</u>

### NOTE 19 – OPERATING LEASES

The campuses are obligated under certain leases for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2007, amounted to \$4.0 million.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007, are as follows:

<b>Fiscal Year</b>	<b>Future Minimum Lease Payments</b>
2008	\$ 1,035,896
2009	767,417
2010	569,937
2011	554,646
2012	513,201
2013 - 2017	1,482,813
2018 - 2022	509,949
2023 - 2027	-
	<u>\$ 5,433,859</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **NOTE 20 – CONTINGENCIES**

Amounts received and expended by the University System under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University System.

In the normal course of its activities, the institutions of the University System are party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

### **NOTE 21 – RAIN EVENT AND FLOOD DAMAGES**

#### **NORTH DAKOTA STATE UNIVERSITY**

With 7.7 inches of rain on June 19, 2000, North Dakota State University suffered extensive water damage to infrastructure, buildings, equipment, and furnishings. On June 27, 2001, the Emergency Commission, under the provisions of NDCC 54-16-13, approved NDSU's request to borrow \$12,500,000 from the Bank of North Dakota for purposes of expediting the repair of buildings and infrastructure, as well as the replacement of equipment and furnishings lost in the disaster. The Emergency Commission has extended borrowing authority each biennium since.

As of June 30, 2007, NDSU had expended \$19.0 million in recovery costs, recovered \$2.5 million from insurance (of which \$1.6 million is a pending refund to FEMA), received \$14.9 million from FEMA, and received \$1.5 million in deficiency appropriations. The campus anticipates recovering the remaining costs of \$1.7 million from insurance, FEMA or a deficiency appropriation at a future date.

#### **UNIVERSITY OF NORTH DAKOTA**

Beginning with a sleet storm on April 6, 1997, and followed by the Flood of 1997, the University of North Dakota suffered extensive damage to infrastructure, buildings, equipment, and furnishings. On August 4, 1997, the Emergency Commission under the provisions of NDCC 54-16-13, approved the University's request to obtain a \$12,000,000 line of credit from the Bank of North Dakota for purposes of expediting the repair of buildings and infrastructure, as well as the replacement of equipment and furnishings lost in the disaster. The Emergency Commission has extended borrowing authority each biennium since.

On March 9, 1998, the Bank of North Dakota, acting on direction from the Emergency Commission, approved two additional categories of draw availability on the \$12 million Letter of Credit: (1) projects which have been submitted for DSR preparation anticipating funding from both FEMA and insurance providers; and (2) projects which have been submitted for DSR preparation anticipating denial of FEMA funding, but anticipating funds from insurance providers.

As of June 30, 2007, UND has expended approximately \$60.9 million in flood recovery costs, \$2.7 million of which was covered by UND. In addition, UND recovered \$6.3 million from insurance, received \$39.4 million from FEMA, and received \$10.9 million in deficiency appropriations. The campus anticipates recovering an additional \$1.5 million from FEMA at a future date. \$25,300 in costs will not be recovered.



## NOTES TO THE FINANCIAL STATEMENTS

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### BANK OF NORTH DAKOTA LINE OF CREDIT ACTIVITY

At June 30, 2007, NDSU and UND had balances outstanding on the rain event and flood lines of credit as follows. The rate of interest changes on a quarterly basis. At June 30, 2007 the rate was 6.82 percent.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
NDSU	\$ 2,440,020		\$ 2,440,020	\$ -
UND	2,610,854	-	1,095,595	1,515,259
Total	<u>\$ 5,050,874</u>	<u>\$ -</u>	<u>\$ 3,535,615</u>	<u>\$ 1,515,259</u>

### NOTE 22 – RISK MANAGEMENT

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues.

#### RISK MANAGEMENT FUND

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the

elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies, employees and the University System. All state agencies participate in the RMF and each fund's contribution was determined using a projected cost allocation approach. The system obtains most of its insurance through the RMF.

#### NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

#### NORTH DAKOTA WORKFORCE SAFETY AND INSURANCE

The University System participates in the North Dakota Workforce Safety and Insurance, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and is a no fault insurance system. It covers the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years except for rain event and flood damages at NDSU and UND as discussed in Note 21.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23 – ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU and UND at June 30, 2007 is \$984,973 and \$1,494,086, respectively.

### NOTE 24 – DEFICIT NET ASSET BALANCES > \$100,000

As of June 30, 2007, the Universities listed below had the following reportable net asset balance deficits greater than \$100,000.

Institution	Fund	Description	Deficit Balance
Mayville State University	10000	Food Service	104,715
	10700	Local Athletics	389,373
		Total MaSU	\$ 494,088
North Dakota State University	28100	The Living Learning West Center	1,091,664
	44500	Interest on BND LOC Advance	453,939
		Total NDSU	\$ 1,545,603
University of North Dakota	21220	Bismarck Center for Family Medicine	\$ 277,850
	21224	Minot Center for Family Medicine	281,384
	22281	BND Flood LOC	1,537,676
	Various	Litigation Costs	2,310,329
		Total UND	\$ 4,407,239
Valley City State University	11000	Athletics	114,981
		Total VCSU	\$ 114,981
Total University System			<u>\$ 6,561,911</u>

#### Mayville State University

Fund 10000 – The food service fund has a negative balance of \$104,715. The Board approved a plan on June 30, 2006, which was developed by the campus and an external workgroup for reduction of the deficit over the next three years.

Fund 10700 – The athletic fund has a negative balance of \$389,373. The Board approved a plan on June 30, 2006, which was developed by the campus and an external workgroup for reduction of the deficit over the next three years.

#### NORTH DAKOTA STATE UNIVERSITY

Fund 28100 – Fund for The Living Learning West Center. These are construction expenses in FY07 on the building. This project was approved by the 2007 legislature with an emergency clause for construction to begin in FY07. The deficit will be retired through the use of bond proceeds.

Fund 44550 – Interest on Bank of North Dakota Line of Credit (LOC) Advance had a deficit balance of \$453,939 at June 30, 2007 for interest on the LOC related to the 2000 flood. The campus anticipates recovering the remaining balance from insurance, FEMA or a deficiency appropriation at a future date.

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **UNIVERSITY OF NORTH DAKOTA**

Fund 21220 – The Bismarck Center for Family Medicine ended the 2007 fiscal year with a deficit of \$227,850. The School of Medical and Health Sciences presented a plan to reorganize the finances of the program, effective September 1, 2006 which will result in a positive net asset balance by September 30, 2008.

Fund 21224 -- The Minot Center for Family Medicine ended the 2007 fiscal year with a deficit of \$281,384. The School of Medical and Health Sciences presented a plan to reorganize the finances of the program, effective September 1, 2006, which will result in a positive net asset balance by September 30, 2008.

Fund 2228 – BND Flood Line of Credit. The deficit balance of \$1,537,676 includes the balance owed to the Bank of North Dakota on the line of credit for the Flood of 1997 and interest expense paid on the line of credit that exceeded the deficiency appropriation. The line of credit covers restoration expenditures incurred by UND that have not yet been reimbursed by FEMA. The campus anticipates that these expenditures will be reimbursed by FEMA.

Various Funds – The deficit balance of \$2,310,329 represents the aggregate of costs incurred relative to ongoing litigation. As each case is brought to closure, balances will be brought to zero using funds resulting from the settlement and/or other institutional funds.

### **VALLEY CITY STATE UNIVERSITY**

Fund 11000 – Athletics has a negative net asset balance of \$114,981. A greatly refined and structured approach to budget management and information has been developed that will assist in monitoring and controlling the outcomes to assure the fund is in balance by 2010.

## **NOTE 25 – SUBSEQUENT EVENTS**

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the Bismarck State College Career and Technology Institute. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

On July 25, 2007 NDSU issued \$12 million of Series 2007 Revenue Bonds for the construction of a new residence hall and renovation of Ceres Hall.

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# NORTH DAKOTA UNIVERSITY SYSTEM

## SUPPLEMENTARY INFORMATION

### JUNE 30, 2007

#### COMBINING STATEMENT OF NET ASSETS

	North Dakota University System Office	Bismarck State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University	Minot State University Bottineau
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 538,724	\$ 6,036,892	\$ 2,655,506	\$ 3,028,915	\$ 1,425,665	\$ 9,474,379	\$ 766,882
Investments	-	-	5,655,000	-	13,000	8,178,400	1,744
Accounts receivable, net	179,649	864,703	477,266	389,941	205,639	561,624	82,111
Receivable from component units	-	-	56,462	-	12,979	50,410	-
Receivable from Primary institution	-	-	-	-	-	-	-
Due from State General Fund	450,000	-	30,163	-	-	1,142	21,375
Grants & contracts receivables, net	245,247	697,243	505,246	312,533	208,171	1,532,450	96,166
Inventories	-	471,095	586,855	161,928	208,621	-	103,103
Notes receivable, net	-	117,815	254,999	102,163	143,238	629,507	66,877
Other assets	-	297,201	228,124	3,188	37,405	166,964	8,648
Total current assets	1,413,620	8,484,949	10,449,621	3,998,668	2,254,718	20,594,876	1,146,906
Noncurrent assets							
Restricted cash and cash equivalents	-	1,434,321	77,500	41,477	55,904	16,190	-
Restricted investments	-	2,976,000	-	105,000	145,247	589,275	65,347
Endowment investments	-	-	-	-	4,000	1,587,407	-
Notes receivable, net	-	412,887	889,701	358,033	560,573	2,206,110	234,374
Other long-term investments	-	35,000	-	-	-	-	-
Unamortized bond discount & cost of issuance	97,677	98,705	23,423	-	2,081	119,689	-
Other noncurrent assets	-	-	-	-	-	-	-
Capital assets, net	13,900,196	24,963,156	21,646,650	4,324,812	10,189,303	45,172,707	4,422,118
Total noncurrent assets	13,997,873	29,920,069	22,637,274	4,829,322	10,957,108	49,691,378	4,721,839
Total assets	\$ 15,411,493	\$ 38,405,018	\$ 33,086,895	\$ 8,827,990	\$ 13,211,826	\$ 70,286,254	\$ 5,868,745
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	\$ 674,219	\$ 1,131,510	\$ 558,726	\$ 142,943	\$ 415,636	\$ 801,763	\$ 52,280
Payable to component units	-	-	2,929	-	-	-	-
Accrued payroll	109,193	1,122,555	626,156	294,368	439,314	1,264,607	72,246
Deferred revenue	-	362,568	-	209,761	87,702	782,277	12,034
Deposits	1	167,674	193,572	113,190	187,793	444,675	13,792
Long-term liabilities--current portion							
Due to Component Units	-	-	-	-	-	-	-
Due to Others	1,452,656	525,564	315,963	155,769	599,674	652,952	65,284
Total current liabilities	2,236,069	3,309,871	1,697,346	916,031	1,730,119	3,946,274	215,636
Noncurrent liabilities							
Advances from Bank of ND	-	-	-	-	-	-	-
Other noncurrent liabilities	236,614	160,557	-	-	-	39,635	4,640
Long-term liabilities							
Due to Component Units	-	6,400,000	-	-	-	-	-
Due to Others	10,174,798	5,798,113	2,665,638	1,718,093	3,951,398	8,229,136	449,707
Total noncurrent liabilities	10,411,412	12,358,670	2,665,638	1,718,093	3,951,398	8,268,771	454,347
Total liabilities	\$ 12,647,481	\$ 15,668,541	\$ 4,362,984	\$ 2,634,124	\$ 5,681,517	\$ 12,215,045	\$ 669,983
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 2,433,696	\$ 16,456,553	\$ 19,197,398	\$ 2,720,343	\$ 5,942,176	\$ 37,084,778	\$ 4,041,785
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	4,000	-	-
Instruction and public service	-	-	-	-	-	-	-
Expendable:							
Scholarships and fellowships	-	48,065	5,519	-	9,491	2,283,663	1,789
Research	-	-	-	248,756	-	-	-
Institutional	-	36,891	1,464,857	-	26,947	337,822	131,033
Loans	-	597,623	1,234,100	478,746	747,120	3,533,832	312,376
Capital projects	-	-	-	-	-	-	118,741
Debt service	-	543,195	92,454	146,255	168,381	611,112	62,682
Other	46,608	-	-	-	-	-	-
Unrestricted	283,708	5,054,150	6,729,583	2,599,766	632,194	14,220,002	530,356
Total net assets	\$ 2,764,012	\$ 22,736,477	\$ 28,723,911	\$ 6,193,866	\$ 7,530,309	\$ 58,071,209	\$ 5,198,762

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

COMBINING STATEMENT OF NET ASSETS - Continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 7,889,754	\$ 18,326,092	\$ 10,879,303	\$ 3,852,681	\$ 1,157,716	\$ -	\$ 66,032,509
Investments	406,507	13,185,721	49,572,500	90,260	-	-	77,103,132
Accounts receivable, net	841,552	4,299,023	8,932,203	116,785	151,349	(513,036)	16,588,809
Receivable from component units	-	-	726,803	33,553	360,000	-	1,240,207
Receivable from Primary institution	-	-	-	-	-	-	-
Due from State General Fund	-	4,099,293	176,264	5,031	-	-	4,783,268
Grants & contracts receivables, net	393,926	19,132,809	16,494,760	214,648	137,213	-	39,970,412
Inventories	408,963	1,812,224	2,823,140	163,087	126,027	-	6,865,043
Notes receivable, net	599,413	1,473,283	5,439,591	158,581	60,529	-	9,045,996
Other assets	77,793	436,718	568,457	33,424	44,969	-	1,902,891
Total current assets	10,617,908	62,765,163	95,613,021	4,668,050	2,037,803	(513,036)	223,532,267
<b>Noncurrent assets</b>							
Restricted cash and cash equivalents	324	1,128,862	1,135,632	-	7,848	-	3,898,058
Restricted investments	537,530	10,228,554	18,093,490	474,346	-	-	33,214,789
Endowment investments	-	367,680	11,286,734	598,860	52,200	-	13,896,881
Notes receivable, net	1,991,128	5,127,358	19,063,069	555,701	212,128	-	31,611,062
Other long-term investments	-	38,644,343	6,556,845	-	-	-	45,236,188
Unamortized bond discount & cost of issuance	-	3,183,597	732,548	66,390	-	-	4,324,110
Other noncurrent assets	-	-	13,307	-	-	-	13,307
Capital assets, net	16,298,702	204,477,141	323,135,709	7,386,515	10,708,262	(5,000,000)	681,625,271
Total noncurrent assets	18,827,684	263,157,535	380,017,334	9,081,812	10,980,438	(5,000,000)	813,819,666
Total assets	\$ 29,445,592	\$ 325,922,698	\$ 475,630,355	\$ 13,749,862	\$ 13,018,241	\$ (5,513,036)	\$ 1,037,351,933
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities	\$ 573,232	\$ 11,360,586	\$ 10,806,222	\$ 493,888	\$ 72,965	\$ (513,036)	\$ 26,570,934
Payable to component units	-	182,563	-	-	-	-	185,492
Accrued payroll	1,014,948	6,720,027	8,654,148	676,888	325,407	-	21,319,857
Deferred revenue	94,525	2,587,896	6,820,704	62,270	67,391	-	11,087,128
Deposits	115,227	1,027,131	3,849,983	83,299	85,933	(963,353)	5,318,917
Long-term liabilities--current portion	-	-	-	-	-	-	-
Due to Component Units	-	1,115,050	287,226	-	-	-	1,402,276
Due to Others	601,343	2,476,904	6,411,680	233,565	193,097	-	13,684,451
Total current liabilities	2,399,275	25,470,157	36,829,963	1,549,910	744,793	(1,476,389)	79,569,055
<b>Noncurrent liabilities</b>							
Advances from Bank of ND	-	-	1,515,259	-	-	-	1,515,259
Other noncurrent liabilities	48,985	38,761	820,840	147,026	57,849	-	1,554,907
Long-term liabilities	-	-	-	-	-	(5,000,000)	49,617,901
Due to Component Units	-	35,446,941	12,770,960	-	-	-	48,217,901
Due to Others	2,977,133	68,819,538	92,936,058	4,215,240	708,011	-	202,642,863
Total noncurrent liabilities	3,026,118	104,305,240	108,043,117	4,362,266	765,860	(5,000,000)	255,330,930
Total liabilities	\$ 5,425,393	\$ 129,775,397	\$ 144,873,080	\$ 5,912,176	\$ 1,510,653	\$ (6,476,389)	\$ 334,899,985
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 13,495,220	\$ 114,922,347	\$ 233,013,941	\$ 3,349,672	\$ 9,920,569	-	\$ 462,578,478
<b>Restricted for:</b>							
<b>Nonexpendable:</b>							
Scholarships and fellowships	-	369,753	12,298,280	459,944	58,190	-	13,190,167
Instruction and public service	-	-	-	-	-	-	-
<b>Expendable:</b>							
Scholarships and fellowships	-	159,281	3,944,887	174,855	11,249	-	6,638,799
Research	-	12,918,263	1,388,580	-	-	-	14,555,599
Institutional	574,850	1,396,343	2,333,672	850,758	415,297	-	7,568,470
Loans	3,326,628	7,051,196	26,917,053	752,168	313,478	-	45,264,320
Capital projects	-	219,534	-	-	-	-	338,275
Debt service	512,241	4,003,795	5,110,893	500,046	6,606	-	11,757,660
Other	-	-	-	-	-	-	46,608
Unrestricted	6,111,260	55,106,789	45,749,969	1,750,243	782,199	963,353	140,513,572
Total net assets	\$ 24,020,199	\$ 196,147,301	\$ 330,757,275	\$ 7,837,686	\$ 11,507,588	\$ 963,353	\$ 702,451,948

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	North Dakota University System Office	Bismarck State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University	Minot State University Bottineau
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$35,366,399)	\$ 1,887,935	\$ 9,603,728	\$ 8,298,664	\$ 3,158,542	\$ 2,753,354	\$ 12,822,623	\$ 1,049,617
Local appropriations	-	5,000	-	-	-	-	-
Federal grants and contracts	-	3,629,302	3,482,075	1,275,498	2,257,397	8,542,804	807,724
State and local grants and contracts	126,224	387,489	1,218,117	321,530	15,087	1,243,051	133,696
Nongovernmental grants and contracts	-	330,864	296,563	25,400	(20,477)	93,231	4,909
Sales and services of educational departments	-	2,332,869	1,068,313	133,292	619,321	1,052,816	105,531
Auxiliary enterprises (net of scholarship allowances of \$2,670,524; \$76,566,287 of revenues are pledged as security for revenue bonds)	-	2,858,981	3,161,394	1,007,458	1,663,950	4,091,866	851,636
Other	770,868	8,253	73,952	6,493	7,884	44,619	4,272
Total operating revenues	\$ 2,785,027	\$ 19,151,486	\$ 17,599,078	\$ 5,928,213	\$ 7,301,516	\$ 27,891,010	\$ 2,957,385
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 2,267,662	\$ 16,378,864	\$ 13,908,808	\$ 5,744,636	\$ 7,241,356	\$ 26,204,331	\$ 3,151,807
Operating expenses	1,416,724	6,750,253	8,323,954	2,065,071	2,952,103	9,591,131	1,493,909
Data processing	21,653	325,808	647,142	178,624	149,726	283,579	80,619
Depreciation expense	1,069,246	1,008,390	994,712	458,939	687,074	2,408,295	177,240
Scholarships and fellowships	3,971,112	1,267,572	1,535,127	402,168	362,053	1,871,258	358,546
Cost of sales and services	-	1,765,342	826,262	430,400	622,453	1,721,739	253,739
Total operating expenses	\$ 8,746,397	\$ 27,496,229	\$ 26,236,005	\$ 9,279,838	\$ 12,014,765	\$ 42,080,333	\$ 5,515,860
Operating income (loss)	\$ (5,961,370)	\$ (8,344,743)	\$ (8,636,927)	\$ (3,351,625)	\$ (4,713,249)	\$ (14,189,323)	\$ (2,558,475)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 16,284,479	\$ 8,515,125	\$ 7,505,507	\$ 3,053,872	\$ 4,581,932	\$ 13,980,389	\$ 2,201,237
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-
Gifts	-	577,731	904,909	380,417	655,707	2,056,538	340,944
Investment income (net of investment expense of \$67,101)	1,538	341,927	350,982	35,770	104,707	767,716	29,413
Interest on capital asset-related debt	(480,055)	(357,216)	(112,258)	(78,700)	(233,353)	(450,271)	(23,366)
Gain (loss) on disposal of capital assets	-	(800)	7,392	-	-	(32,524)	-
Insurance proceeds	-	34,530	266,172	-	9,470	-	-
Tax revenues	-	-	-	-	174,336	-	-
General and special grant expenditures	(4,018,772)	-	-	-	-	-	-
Other nonoperating revenues (expenses)	357,435	(159,596)	156,248	18	(476,266)	56,877	300
Net nonoperating revenues	\$ 12,144,625	\$ 8,951,701	\$ 9,078,952	\$ 3,391,377	\$ 4,816,533	\$ 16,378,725	\$ 2,548,528
Income (loss) before capital grants, gifts, and transfers	\$ 6,183,255	\$ 606,958	\$ 442,025	\$ 39,752	\$ 103,284	\$ 2,189,402	\$ (9,947)
Federal appropriations-capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State appropriations-capital assets	-	-	393,207	145,109	79,372	263,196	73,054
Transfers to Building Authority	(5,984,792)	-	-	-	-	-	-
Capital grants and gifts	-	118,749	2,790,248	7,990	22,632	-	2,399,459
Increase (decrease) in net assets	\$ 198,463	\$ 725,707	\$ 3,625,480	\$ 192,851	\$ 205,288	\$ 2,452,598	\$ 2,462,566
<b>NET ASSETS</b>							
Net assets--beginning of year	2,565,549	22,010,770	25,098,431	6,001,015	7,325,021	55,618,611	2,736,196
Net assets--end of year	\$ 2,764,012	\$ 22,736,477	\$ 28,723,911	\$ 6,193,866	\$ 7,530,309	\$ 58,071,209	\$ 5,198,762

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued**

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$35,366,399)	\$ 8,300,388	\$ 71,727,041	95,736,305	\$ 3,738,732	\$ 1,584,202	\$ (1,992,407)	\$ 218,668,724
Local appropriations							5,000
Federal grants and contracts	3,087,170	63,482,409	65,252,965	1,230,899	1,269,202	(4,060,309)	150,257,136
State and local grants and contracts	778,288	4,779,538	1,472,862	185,583	198,880	(2,998,509)	7,861,836
Nongovernmental grants and contracts	76,467	6,363,527	15,494,528	44,713	4,093		22,713,818
Sales and services of educational departments	2,266,459	17,033,788	19,905,346	168,571	702,033	(1,027,861)	44,360,478
Auxiliary enterprises (net of scholarship allowances of \$2,670,524; \$76,566,287 of revenues are pledged as security for revenue bonds)	5,799,830	28,899,999	28,822,127	2,264,778	1,335,766		80,757,785
Other	130,297	328,624	4,094,052	11,425	5,251	(7,367)	5,478,623
Total operating revenues	\$ 20,438,899	\$ 192,614,926	\$ 230,778,185	\$ 7,644,701	\$ 5,099,427	\$ (10,086,453)	\$ 530,103,400
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 19,685,718	\$ 168,955,800	\$ 190,887,305	\$ 8,933,080	\$ 4,822,003		\$ 468,181,370
Operating expenses	8,985,577	67,116,220	75,305,226	3,889,967	1,844,867	(6,320,152)	183,414,850
Data processing	694,443	5,607,902	4,643,353	313,245	88,382		13,034,476
Depreciation expense	1,806,091	13,078,949	16,368,770	798,748	496,696		39,353,150
Scholarships and fellowships	1,120,395	5,049,042	7,067,733	405,321	614,689	(288,366)	23,736,650
Cost of sales and services	2,371,888	9,053,537	15,258,294	514,959	643,964		33,462,577
Total operating expenses	\$ 34,664,112	\$ 268,861,450	\$ 309,530,681	\$ 14,855,320	\$ 8,510,601	\$ (6,608,518)	\$ 761,183,073
Operating income (loss)	\$ (14,225,213)	\$ (76,246,524)	\$ (78,752,496)	\$ (7,210,619)	\$ (3,411,174)	\$ (3,477,935)	\$ (231,079,673)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 12,340,605	\$ 72,584,110	\$ 76,037,694	\$ 5,956,027	\$ 2,879,075		\$ 225,920,052
Federal appropriations	-	4,294,673	-	-	-		4,294,673
Federal grants and contracts	-	99,869	-	-	-		99,869
Gifts	897,437	9,153,105	5,409,388	720,485	485,935		21,582,596
Investment income (net of investment expense of \$67,101)	401,958	4,432,508	7,816,193	234,309	15,888		14,532,909
Interest on capital asset-related debt	(162,413)	(4,476,018)	(5,663,947)	(212,535)	(8,344)		(12,258,476)
Gain (loss) on disposal of capital assets	(129,353)	163,914	(1,508,115)	18,940	(9,438)		(1,489,984)
Insurance proceeds	5,549	150,000	576,333	112	-		1,042,166
Tax revenues	-	362,995	1,784,967	-	-		2,322,298
General and special grant expenditures	-	-	-	-	-	3,270,000	(748,772)
Other nonoperating revenues (expenses)	(80,731)	(454,542)	(755,015)	5,596	91		(1,349,585)
Net nonoperating revenues	\$ 13,273,052	\$ 86,310,614	\$ 83,697,498	\$ 6,722,934	\$ 3,363,207	\$ 3,270,000	\$ 253,947,746
Income (loss) before capital grants, gifts, and transfers	\$ (952,161)	\$ 10,064,090	\$ 4,945,002	\$ (487,685)	\$ (47,967)	\$ (207,935)	\$ 22,868,073
Federal appropriations-capital assets	\$ -	\$ -		\$ -	\$ -		\$ -
State appropriations-capital assets	523,332	826,789	1,392,661	142,800	31,795		3,871,315
Transfers to Building Authority	-	-	-	-	-		(5,984,792)
Capital grants and gifts	333,722	348,854	732,543	79,025	481,104		7,314,326
Increase (decrease) in net assets	\$ (95,107)	\$ 11,239,733	\$ 7,070,206	\$ (265,860)	\$ 464,932	\$ (207,935)	\$ 28,068,922
<b>NET ASSETS</b>							
Net assets--beginning of year	24,115,306	184,907,568	323,687,069	8,103,546	11,042,656	1,171,288	674,383,026
Net assets--end of year	\$ 24,020,199	\$ 196,147,301	\$ 330,757,275	\$ 7,837,686	\$ 11,507,588	\$ 963,353	\$ 702,451,948

# NORTH DAKOTA UNIVERSITY SYSTEM

## SUPPLEMENTARY INFORMATION

### JUNE 30, 2007

#### COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University	Minot State University Bottineau
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees	\$ 1,915,150	\$ 9,695,619	\$ 8,324,609	\$ 3,166,605	\$ 2,749,240	\$ 12,966,482	\$ 1,048,994
Grants and contracts	175,295	4,592,910	5,233,582	1,635,099	2,289,469	9,546,212	944,782
Payments to suppliers	(1,414,803)	(8,238,929)	(9,959,873)	(2,760,097)	(3,549,951)	(11,343,301)	(1,885,598)
Payments to employees	(2,228,081)	(16,297,825)	(13,847,985)	(5,704,020)	(7,242,987)	(26,097,934)	(3,155,608)
Payments for scholarships and fellowships	(3,971,112)	(1,267,572)	(1,535,127)	(402,168)	(362,053)	(1,871,258)	(358,546)
Loans issued to students	-	(181,155)	(262,948)	(116,464)	(155,662)	(467,375)	(49,529)
Collection of loans to students	-	125,954	252,402	86,167	132,795	559,506	63,432
Auxiliary enterprise charges	-	2,869,002	3,128,442	1,007,921	1,679,688	4,102,814	851,877
Sales and service of educational departments	-	2,297,001	992,942	133,292	610,335	1,064,870	117,690
Cash received/(paid) on deposits	(1,020)	(16,383)	(9,605)	(7,345)	(63,007)	19,065	1,741
Other receipts (payments)	770,868	(46,533)	191,889	11,107	26,063	555,544	(9,311)
Net cash provided (used) by operating activities	\$ (4,753,703)	\$ (6,467,911)	\$ (7,491,672)	\$ (2,949,903)	\$ (3,886,070)	\$ (10,965,375)	\$ (2,430,076)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 16,596,903	\$ 8,515,125	\$ 7,505,507	\$ 3,053,872	\$ 4,700,636	\$ 13,981,137	\$ 2,179,862
Federal appropriations	-	-	-	-	-	-	-
Grants and gifts received for other than capital purposes	(4,018,772)	577,731	904,909	380,417	655,707	2,056,538	340,944
Grants given for other than capital purposes	-	-	-	-	-	-	-
Advances from Bank of North Dakota	-	-	-	-	-	-	-
Principal paid on advances from Bank of North Dakota	-	-	-	-	-	-	-
Agency fund cash increase/(decrease)	-	(232,752)	83,608	22,304	(108,260)	42,766	(8,594)
Tax revenues	-	-	-	-	174,336	-	-
Other nonoperating revenues (expenses)	357,436	(19,515)	156,248	20	50,731	57,992	2,448
Net cash flows provided by noncapital financing activities	\$ 12,935,567	\$ 8,840,589	\$ 8,650,272	\$ 3,456,613	\$ 5,473,150	\$ 16,138,433	\$ 2,514,660
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	-	\$ -	-	-
Transfers to Building Authority	(5,984,792)	-	-	-	-	-	-
Capital appropriations	-	-	390,366	244,116	79,372	293,654	73,054
Capital grants and gifts received	-	118,749	2,787,318	7,998	22,632	(10)	2,399,459
Proceeds from sale of capital assets	-	-	7,500	-	-	-	-
Purchases of capital assets	-	(474,699)	(2,949,345)	(208,829)	(366,398)	(2,927,918)	(2,201,419)
Insurance proceeds	-	34,530	266,172	-	9,470	-	-
Principal paid on capital debt and lease	(1,391,600)	(508,074)	(515,736)	(146,843)	(597,551)	(677,865)	(54,784)
Deposits with capital debt payment trustees	-	-	-	-	(3,508)	-	(7,091)
Interest paid on capital debt and lease	(523,550)	(337,310)	(115,643)	(78,700)	(235,663)	(372,440)	(23,366)
Net cash used by capital and related financing activities	\$ (7,899,942)	\$ (1,166,804)	\$ (129,368)	\$ (182,258)	\$ (1,091,646)	\$ (3,684,579)	\$ 185,853
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 3,605,000	\$ -	-	\$ 735	\$ (520,563)	\$ 29,260
Interest on investments	1,538	348,875	340,035	35,770	104,707	542,986	-
Purchase of investments	-	(2,905,000)	-	-	(735)	(2,524,322)	-
Net cash provided by investing activities	\$ 1,538	\$ 1,048,875	\$ 340,035	\$ 35,770	\$ 104,707	\$ (2,501,899)	\$ 29,260
Net increase in cash	\$ 283,460	\$ 2,254,749	\$ 1,369,267	\$ 360,222	\$ 600,141	\$ (1,013,420)	\$ 299,697
CASH - BEGINNING OF YEAR, as restated	255,264	5,216,464	1,363,739	2,710,170	881,428	10,503,989	467,185
CASH - END OF YEAR	\$ 538,724	\$ 7,471,213	\$ 2,733,006	\$ 3,070,392	\$ 1,481,569	\$ 9,490,569	\$ 766,882



**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**COMBINING STATEMENT OF CASH FLOWS - Continued**

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees	\$ 8,237,601	\$ 71,736,625	\$ 97,636,629	\$ 3,702,415	\$ 1,597,439		\$ 222,777,408
Grants and contracts	5,153,338	76,679,441	84,836,127	1,744,887	1,465,948	(7,058,818)	187,238,272
Payments to suppliers	(11,813,013)	(79,135,452)	(94,045,602)	(4,353,228)	(2,629,420)	4,535,680	(226,593,587)
Payments to employees	(19,550,520)	(167,545,937)	(189,908,419)	(8,868,924)	(4,722,419)		(465,170,659)
Payments for scholarships and fellowships	(1,120,395)	(5,049,042)	(7,067,733)	(405,321)	(614,689)	288,366	(23,736,650)
Loans issued to students	(519,462)	(1,464,073)	(5,380,706)	(142,777)	(78,012)		(8,818,163)
Collection of loans to students	546,065	1,278,529	4,680,777	141,187	60,998		7,927,812
Auxiliary enterprise charges	5,777,489	28,692,546	31,929,831	2,266,069	1,345,110		83,650,789
Sales and service of educational departments	2,242,154	17,218,700	18,313,149	178,904	662,531	(1,027,861)	42,803,707
Cash received/(paid) on deposits	39,476	(284,908)	(400,978)	(4,372)	(414)		(727,750)
Other receipts (payments)	172,204	290,559	1,099,410	2,993	139,638	(7,367)	3,197,064
Net cash provided (used) by operating activities	\$ (10,835,063)	\$ (57,583,012)	\$ (58,307,515)	\$ (5,738,167)	\$ (2,773,290)	\$ (3,270,000)	\$ (177,451,757)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 11,855,391	\$ 79,420,733	\$ 78,265,847	\$ 5,956,027	\$ 2,879,075		\$ 234,910,115
Federal appropriations		4,294,673	-				4,294,673
Grants and gifts received for other than capital purposes	897,437	10,347,218	7,483,949	720,485	485,935	4,018,772	24,851,270
Grants given for other than capital purposes			-			(748,772)	(748,772)
Advances from Bank of North Dakota			-				-
Principal paid on advances from Bank of North Dakota		(2,440,020)	(1,095,595)				(3,535,615)
Agency fund cash increase/(decrease)	(34,898)	(268,245)	131,132	(24,591)	4,014		(393,516)
Tax revenues		362,995	1,784,967				2,322,298
Other nonoperating revenues (expenses)	(51,844)	17,032	(463,714)	(25,357)	(9,589)	-	71,888
Net cash flows provided by noncapital financing activities	\$ 12,666,086	\$ 91,734,386	\$ 86,106,586	\$ 6,626,564	\$ 3,359,435	\$ 3,270,000	\$ 261,772,341
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt		\$ 22,835,000	\$ -				\$ 22,835,000
Transfers to Building Authority			-				(5,984,792)
Capital appropriations	1,008,546	998,211	1,550,614	250,092	31,795		4,919,820
Capital grants and gifts received	333,722	237,839	796,122	25,274	121,104		6,850,207
Proceeds from sale of capital assets	8,910	177,900	1,287,316	-			1,481,626
Purchases of capital assets	(1,341,619)	(27,776,205)	(38,536,226)	(180,587)	(116,705)		(77,079,950)
Insurance proceeds	5,549	-	394,387	112			710,220
Principal paid on capital debt and lease	(569,701)	(3,748,998)	(6,418,400)	(209,238)	(202,034)		(15,040,824)
Deposits with capital debt payment trustees		(21,209,620)	-				(21,220,219)
Interest paid on capital debt and lease	(168,140)	(4,996,305)	(5,095,486)	(212,535)	(8,493)		(12,167,631)
Net cash used by capital and related financing activities	\$ (722,733)	\$ (33,482,178)	\$ (46,021,673)	\$ (326,882)	\$ (174,333)	\$ -	\$ (94,696,543)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 21,177,376	\$ 6,505,415	\$ 573,403	\$ -	\$ -	\$ 31,370,626
Interest on investments	402,352	3,929,337	5,431,381	229,432	15,357		11,381,770
Purchase of investments	(45,620)	(18,000,000)	(36,375,580)	(747,725)			(60,598,982)
Net cash provided by investing activities	\$ 356,732	\$ 7,106,713	\$ (24,438,784)	\$ 55,110	\$ 15,357	\$ -	\$ (17,846,586)
Net increase in cash	\$ 1,465,022	\$ 7,775,909	\$ (42,661,386)	\$ 616,625	\$ 427,169	\$ -	\$ (28,222,545)
CASH - BEGINNING OF YEAR, as restated	6,425,056	11,679,045	54,676,321	3,236,056	738,395		98,153,112
CASH - END OF YEAR	\$ 7,890,078	\$ 19,454,954	\$ 12,014,935	\$ 3,852,681	\$ 1,165,564	\$ -	\$ 69,930,567

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**COMBINING STATEMENT OF CASH FLOWS - Continued**

	<b>North Dakota University System Office</b>	<b>Bismarck State College</b>	<b>Dickinson State University</b>	<b>Lake Region State College</b>	<b>Mayville State University</b>	<b>Minot State University</b>	<b>Minot State University Bottineau</b>
<b>RECONCILIATION OF NET OPERATING</b>							
<b>REVENUES (EXPENSES) TO</b>							
<b>NET CASH PROVIDED (USED) BY</b>							
<b>OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (5,961,370)	\$ (8,344,743)	\$ (8,636,927)	\$ (3,351,625)	\$ (4,713,249)	\$ (14,189,323)	\$ (2,558,475)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,069,246	1,008,390	994,712	458,939	687,074	2,408,295	177,240
Change in assets and liabilities	-	-	-	-	-	-	-
Accounts receivable adjusted for interest receivable	27,215	55,356	(46,991)	62,855	(6,913)	228,752	41
Grant & contract receivables	49,071	245,255	236,827	12,671	37,462	(332,874)	(1,547)
Inventories	-	214,030	15,353	(22,659)	(7,294)	735,210	(2,363)
Notes receivable	-	(35,578)	29,887	(6,417)	(6,027)	183,384	21,528
Other assets	16,280	124,616	120,063	4,614	18,179	542,179	(13,583)
Accounts payable and accrued liabilities adjusted for interest payable	7,294	189,419	(255,814)	(92,727)	164,784	(573,605)	(54,553)
Accrued payroll	37,282	(7,207)	47,854	11,060	31,819	16,665	(9,870)
Compensated absences	2,299	88,246	12,969	29,556	(33,450)	89,732	6,069
Deferred revenue	-	10,688	-	(48,826)	4,552	(92,855)	3,694
Deposits	(1,020)	(16,383)	(9,605)	(7,344)	(63,007)	19,065	1,743
Net cash provided (used) by operating activities	<u>\$ (4,753,703)</u>	<u>\$ (6,467,911)</u>	<u>\$ (7,491,672)</u>	<u>\$ (2,949,903)</u>	<u>\$ (3,886,070)</u>	<u>\$ (10,965,375)</u>	<u>\$ (2,430,076)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON</b>							
<b>CASH TRANSACTIONS</b>							
Assets acquired through capital lease		\$ 6,419,321	\$ 50,410		\$ -	\$ 82,607	
Assets acquired through special assessment		-	-		-	-	
Expenses paid by capital lease/special assessments		160,678	-		526,994	-	
Gifts of capital assets		-	2,930		-	-	
Total non-cash transactions	<u>\$ -</u>	<u>\$ 6,579,999</u>	<u>\$ 53,340</u>	<u>\$ -</u>	<u>\$ 526,994</u>	<u>\$ 82,607</u>	<u>\$ -</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**COMBINING STATEMENT OF CASH FLOWS - Continued**

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (14,225,213)	\$ (76,246,524)	\$ (78,752,496)	\$ (7,210,619)	\$ (3,411,174)	\$ (3,477,935)	\$ (231,079,673)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,806,091	13,078,949	16,368,770	798,748	496,696		39,353,150
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	(72,274)	(556,928)	(714,822)	10,092	(65,617)	257,311	(821,923)
Grant & contract receivables	1,211,413	2,053,967	2,615,772	283,692	(6,227)		6,405,482
Inventories	36,107	(230,016)	(20,889)	20,233	38,870		776,582
Notes receivable	71,598	193,896	917,181	9,542	(5,059)		1,373,935
Other assets	41,907	(606,384)	621,517	(6,358)	134,387		997,417
Accounts payable and accrued liabilities adjusted for interest payable	134,242	3,453,150	(1,090,313)	325,899	(52,066)	(257,311)	1,898,399
Accrued payroll	135,470	351,727	740,452	85,981	124,058		1,565,291
Compensated absences	(272)	1,058,136	238,434	(21,825)	(24,474)		1,445,420
Deferred revenue	(13,608)	151,923	1,169,856	(29,180)	(2,270)		1,153,974
Deposits	39,476	(284,908)	(400,977)	(4,372)	(414)	207,935	(519,811)
Net cash provided (used) by operating activities	<u>\$ (10,835,063)</u>	<u>\$ (57,583,012)</u>	<u>\$ (58,307,515)</u>	<u>\$ (5,738,167)</u>	<u>\$ (2,773,290)</u>	<u>\$ (3,270,000)</u>	<u>\$ (177,451,757)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ 134,428	\$ 2,568,892	\$ 1,853,579				\$ 11,109,237
Assets acquired through special assessment	80,883		-				80,883
Expenses paid by capital lease/special assessments		432,812	443,235				1,563,719
Gifts of capital assets		111,015	-	53,751			167,696
Total non-cash transactions	<u>\$ 215,311</u>	<u>\$ 3,112,719</u>	<u>\$ 2,296,814</u>	<u>\$ 53,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,921,535</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**Statement of Net Assets -- Non-major Component Units**

	Lake Region Community College Foundation	MaSU Alumni Foundation	MiSU-B and Institute of Forestry Development Foundation	NDSCS Foundation	NDSU Research Foundation	VCSU Foundation	WSC Foundation	Total Non-major Component Units
<b>ASSETS</b>								
Current assets								
Cash and cash equivalents		\$ 130,698	\$ 47,218	\$ 2,193,505	\$ 273,233	\$ 1,037,217	\$ 2,453,857	\$ 6,135,728
Accounts receivable, net	25,479	47,364				116,967	222,661	412,471
Other assets		64,422			1,906	4,842	5,921	77,091
Total current assets	25,479	242,484	47,218	2,193,505	275,139	1,159,026	2,682,439	6,625,290
Noncurrent assets								
Restricted cash and cash equivalents					1,184,363			1,184,363
Restricted investments							86,641	86,641
Endowment investments	3,845,165	2,876,523	1,674,857	7,107,925	3,924,910	4,304,241	6,828,648	30,562,269
Other noncurrent assets		75,180			-	171,133	225,197	471,510
Capital assets, net		95,722		305,192	11,592	1,564	218,333	632,403
Total noncurrent assets	3,845,165	3,047,425	1,674,857	7,413,117	5,120,865	4,476,938	7,358,819	32,937,186
Total assets	\$ 3,870,644	\$ 3,289,909	\$ 1,722,075	\$ 9,606,622	\$ 5,396,004	\$ 5,635,964	\$ 10,041,258	\$ 39,562,476
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable and accrued liabilities		\$ 7,710		\$ 8,021	\$ 15,413	\$ 8,426	\$ 35,700	\$ 75,270
Payable to primary institution		12,979			-	33,553	360,000	406,532
Deposits				350	-			350
Long-term liabilities--current portion								
Due to Others		28,752		4,000	20,000	-	-	52,752
Total current liabilities	-	49,441	-	12,371	35,413	41,979	395,700	534,904
Noncurrent liabilities								
Other noncurrent liabilities								-
Long-term liabilities								
Due to Others		89,288		47,250	60,000	48,029	17,185	261,752
Total noncurrent liabilities	-	89,288	-	47,250	60,000	48,029	17,185	261,752
Total liabilities	\$ -	\$ 138,729	\$ -	\$ 59,621	\$ 95,413	\$ 90,008	\$ 412,885	\$ 796,656
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt		\$ 95,722		\$ 253,942	\$ 11,592	\$ 1,564	\$ 218,333	\$ 581,153
Restricted for:								
Nonexpendable:								
Other (CU)	2,426,321	2,133,806	1,621,459	8,875,958		2,575,252	4,286,813	21,919,609
Expendable:								
Other	1,054,796	1,103,889	66,450		954,514	2,990,021	881,086	7,050,756
Unrestricted	389,527	(182,237)	34,166	417,101	4,334,485	(20,881)	4,242,141	9,214,302
Total net assets	\$ 3,870,644	\$ 3,151,180	\$ 1,722,075	\$ 9,547,001	\$ 5,300,591	\$ 5,545,956	\$ 9,628,373	\$ 38,765,820

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**Statement of Revenues, Expenses and Changes in Net Assets -- Non-major Component Units**

	Lake Region Community College Foundation	MaSU Alumni Foundation	MiSU-B and Institute of Forestry Development Foundation	NDSCS Foundation	NDSU Research Foundation	VCSU Foundation	WSC Foundation	Total Non-major Component Units
<b>OPERATING REVENUES</b>								
Gifts & Contributions (CU)	\$ 194,750	\$ 791,345	\$ 150,361	\$ 711,735	\$ 1,367	\$ 958,949	\$ 128,592	\$ 2,937,099
Event income (CU)		686,347					-	686,347
Rental income (CU)				29,555			47,938	77,493
Other	82,291	102,451	65,463	117,020	1,335,738	107,517	4,034,888	5,845,368
Total operating revenues	<u>\$ 277,041</u>	<u>\$ 1,580,143</u>	<u>\$ 215,824</u>	<u>\$ 858,310</u>	<u>\$ 1,337,105</u>	<u>\$ 1,066,466</u>	<u>\$ 4,211,418</u>	<u>\$ 9,546,307</u>
<b>OPERATING EXPENSES</b>								
Salaries and wages	\$ -	\$ 65,049	\$ -	\$ 164,046	\$ 185,562	\$ 100,731	\$ 86,660	\$ 602,048
Operating expenses	46,819	32,266	31,203	178,472	1,064,850	184,105	4,402,381	5,940,096
Depreciation expense	-	5,038	-	550	196	1,786	7,982	15,552
Total operating expenses	<u>\$ 46,819</u>	<u>\$ 102,353</u>	<u>\$ 31,203</u>	<u>\$ 343,068</u>	<u>\$ 1,250,608</u>	<u>\$ 286,622</u>	<u>\$ 4,497,023</u>	<u>\$ 6,557,696</u>
Operating income (loss)	<u>\$ 230,222</u>	<u>\$ 1,477,790</u>	<u>\$ 184,621</u>	<u>\$ 515,242</u>	<u>\$ 86,497</u>	<u>\$ 779,844</u>	<u>\$ (285,605)</u>	<u>\$ 2,988,611</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Investment income	\$ 334,911	\$ 380,289	\$ 60,021	\$ 1,167,748	\$ 690,171	\$ 723,497	\$ 1,493,279	\$ 4,849,916
Payments to or for the institution (CU)	(279,586)	(800,956)	(439,842)	(650,924)	(441,068)	(606,247)	(393,867)	(3,612,490)
Other nonoperating revenues (expenses)		-			-	-		-
Net nonoperating revenues (expenses)	<u>\$ 55,325</u>	<u>\$ (420,667)</u>	<u>\$ (379,821)</u>	<u>\$ 516,824</u>	<u>\$ 249,103</u>	<u>\$ 117,250</u>	<u>\$ 1,099,412</u>	<u>\$ 1,237,426</u>
Income (loss) before capital grants, gifts, and transfers	<u>\$ 285,547</u>	<u>\$ 1,057,123</u>	<u>\$ (195,200)</u>	<u>\$ 1,032,066</u>	<u>\$ 335,600</u>	<u>\$ 897,094</u>	<u>\$ 813,807</u>	<u>\$ 4,226,037</u>
Additions to permanent endowments	149,893	80,558	113,872			558,346	286,207	1,188,876
Increase in net assets	<u>\$ 435,440</u>	<u>\$ 1,137,681</u>	<u>\$ (81,328)</u>	<u>\$ 1,032,066</u>	<u>\$ 335,600</u>	<u>\$ 1,455,440</u>	<u>\$ 1,100,014</u>	<u>\$ 5,414,913</u>
<b>NET ASSETS</b>								
Net assets--beginning of year	3,435,204	2,013,499	1,803,403	8,514,935	4,964,991	4,090,516	8,528,359	33,350,907
Net assets--end of year	<u>\$ 3,870,644</u>	<u>\$ 3,151,180</u>	<u>\$ 1,722,075</u>	<u>\$ 9,547,001</u>	<u>\$ 5,300,591</u>	<u>\$ 5,545,956</u>	<u>\$ 9,628,373</u>	<u>\$ 38,765,820</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**SCHEDULE OF BONDS PAYABLE - Primary Institution**

<u>Issue</u>	<u>Original Balance</u>	<u>Interest Rate</u>	<u>Installments</u>	<u>Balance Outstanding</u>
<b>Bismarck State College</b>				
1973 Student Union Revenue Bonds, due through 2008, collateralized by net revenues from the Student Center, tuition fee revenue, and HUD interest subsidy.	\$ 800,000	6 0-6.1%	\$40,000 to \$60,000	\$ 60,000
2000 Facilities Improvement, consisting of revenue bonds through the year 2009, collateralized by the student service and facility fee.	\$ 250,000	5.25-5.75%	\$25,000 to \$30,000	60,000
2005 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues and income of housing services.	\$ 4,400,000	3.4-5.35%	\$90,000 to \$710,000	4,215,000
Total BSC				<u>\$ 4,335,000</u>
<b>Dickinson State University</b>				
2006 Student Union Improvement Revenue Refunding Bonds, due through 2020, collateralized by student union fee revenue and bookstore net revenue	\$ 775,000	3.75-5.0%	\$50,000 to \$310,000	<u>\$ 730,000</u>
Total DSU				<u>\$ 730,000</u>
<b>Lake Region State College</b>				
2004 Housing & Auxiliary Facilities Improvement Revenue Bonds due through the year 2017, collateralized by auxiliary services net revenues, facility usage fees and HUD interest subsidy	\$ 1,050,000	3.0-5.125%	\$55,000 to \$100,000	<u>\$ 875,000</u>
Total LRSC				<u>\$ 875,000</u>
<b>Mayville State University</b>				
1998 Refunding Revenue Bonds due through 2009, collateralized by the net revenue from the Student Center.	\$ 695,000	4.3-4.8%	\$60,000 to \$75,000	\$ 150,000
2003 Facilities Revenue Bonds, due through the year 2018, collateralized by the student fees, sales tax and earnings	\$ 2,800,000	5.38%	\$115,358	2,502,456
Total MaSU				<u>\$ 2,652,456</u>
<b>Minot State University</b>				
1993 Building Authority, consisting of revenue bonds due through the year 2010, with payments made every other year.	\$ 1,582,000	None	\$197,750	\$ 197,750
2001 Building Authority, consisting of revenue bonds due through the year 2013.	\$ 2,299,000	None	\$208,625 to \$315,000	5,000,000
2003 Refunding Revenue Bonds due through 2013, collateralized by net revenues from auxiliary housing and bookstore.	\$ 1,920,000	3.0-4.5%	\$95,000 to \$365,000	1,251,750
2006 Student Services Facilities Revenue Bonds due through 2030, collateralized by net revenues from auxiliary housing	\$ 5,000,000	4.0-5.25%	\$125,000 to \$290,000	775,000
Total MiSU				<u>\$ 7,224,500</u>
<b>Minot State University - Bottineau</b>				
1971 Milligan Hall Revenue Bonds, due through 2012, collateralized by net revenues and income of Milligan Hall	\$ 390,000	6.25-6.90%	\$15,000 to \$29,000	<u>\$ 126,000</u>
Total MiSU - Bottineau				<u>\$ 126,000</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)**

<b>Issue</b>	<b>Original Balance</b>	<b>Interest Rate</b>	<b>Installments</b>	<b>Balance Outstanding</b>
<b>North Dakota State College of Science</b>				
1993 Building Authority, consisting of revenue bonds due through the year 2009, with payments made every other year.	\$ 250,000	None	\$31,250	\$ 31,250
2001 Housing Facilities Revenue Bonds, due through 2016, collateralized by net housing and auxiliary facilities pledged revenues.	\$ 2,785,000	4.0-5.5%	\$95,000 to \$270,000	1,550,000
Total NDSCS				<u>\$ 1,581,250</u>
<b>North Dakota State University</b>				
IACC Building Match, consisting of revenue bonds due through the year 2009, with payments made every other year.	\$ 25,830,000	None	\$55,375	\$ 55,375
1999 Student Health & Wellness Center Revenue Bonds, due through 2028, collateralized by net revenues and income of auxiliary services, debt service reserve and repair and replacement reserve accounts.	\$ 3,500,000	5.0-5.6%	\$60,000 to \$235,000	155,000
2000 Research & Tech Park (MIDA Bonds), consisting of revenue bonds due the year 2022	\$ 6,500,000	5.375-5.6%	\$195,000 to \$515,000	1,060,000
2002 Research & Tech Park (MIDA Bonds), consisting of revenue bonds due the year 2032	\$ 20,450,000	3.0-5.0%	\$145,000 to \$1,310,000	2,390,000
2002 Residence Hall Revenue Bonds due through 2029, collateralized by net revenues and income of housing and auxiliary system revenues and repair and replacement reserve accounts.	\$ 7,600,000	5.0-5.6%	\$135,000 to \$480,000	7,030,000
2002 Minard Hall Revenue Bonds through 2032, collateralized by net revenues of housing and auxiliary services.	\$ 3,000,000	2.1-5.0%	\$50,000 to \$180,000	2,695,000
2003 Refunding Revenue Bonds due through 2012, collateralized by net revenues of housing and auxiliary services.	\$ 5,990,000	1.7-3.95%	\$600,000 to \$750,000	3,505,000
2004 Housing & Auxiliary Facilities Revenue Bonds through 2034, collateralized by net revenues of housing and auxiliary services.	\$ 10,350,000	3.0-5.0%	\$125,000 to \$630,000	9,830,000
2005 Housing & Auxiliary Facilities Revenue Bonds, due through 2035, collateralized by net revenues of housing and auxiliary system	\$ 18,700,000	4.25-5.0%	\$1,200,000	18,700,000
2006A Housing & Auxiliary Facilities Revenue Bonds, due through 2036, collateralized by net revenues of housing and auxiliary system	\$ 9,990,000	4.25-5.0%	\$630,000	9,840,000
2006B Housing & Auxiliary Facilities Revenue Bonds, due through 2029, collateralized by net revenues of housing and auxiliary system	\$ 2,845,000	4.25-5.0%	\$225,000	2,820,000
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2023, collateralized by lease revenue	\$ 18,100,000	4.0-6.5%	\$805,000 to \$1,330,000	17,905,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2022, collateralized by lease revenue	\$ 4,735,000	4.0-4.125%	\$220,000 to \$510,000	4,720,000
Total NDSU				<u>\$ 80,705,375</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)**

<b>Issue</b>	<b>Original Balance</b>	<b>Interest Rate</b>	<b>Installments</b>	<b>Balance Outstanding</b>
<b>University of North Dakota</b>				
1993 Building Authority Revenue Bonds due through 2010, with payments made every other year.	\$ 225,000	None	\$28,125	\$ 28,125
1998A Housing and Refunding Revenue Bonds due through 2021, collateralized by net housing & auxiliary facilities system, debt service grants, and bond indenture earnings.	\$ 22,560,000	3.8-4.8%	\$1,375,000 to \$2,130,000	13,040,000
2002 Memorial Union Refunding Revenue Bonds due through 2021, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings.	\$ 6,710,000	3-5%	\$235,000 to \$550,000	4,840,000
2004 Housing & Auxiliary Facilities Revenue Bonds due through 2034, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings.	\$ 19,645,000	1-5%	\$30,000 to \$1,180,000	18,820,000
2006 Housing & Auxiliary Facilities Revenue Bonds due through 2036, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings.	\$ 40,050,000	3.5-5%	\$85,000 to \$2,875,000	40,050,000
Total UND				<u>\$ 76,778,125</u>
<b>Valley City State University</b>				
1971 Snoeyenbos Hall Revenue Bonds, due through 2011, collateralized by rentals, charges and other income and revenue arising from the operation of Snoeyenbos Hall.	\$ 750,000	7.2-7.25%	\$30,000 to \$55,000	\$ 235,000
2003 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system.	\$ 3,300,000	5.6783%	\$50,000 to \$225,000	3,150,000
Total VCSU				<u>\$ 3,385,000</u>
<b>Williston State College</b>				
1979 Student Housing Revenue Bonds, due through 2019, collateralized by net revenues and income from Nelson Hall and apartments.	\$ 546,000	3.0%	\$1,000 to \$20,000	\$ 166,000
2001 Health & Wellness Center Revenue Bonds due through 2011, collateralized by auxiliary revenues.	\$ 1,500,000	None	\$150,000	600,000
Total WSC				<u>\$ 766,000</u>
<b>North Dakota University System</b>				
2003 ConnectND Project Revenue Bonds, Series C, issued by North Dakota Building Authority (\$20,000,000 - NDUS owns 71%), due through the year 2014 collateralized by student fees.	\$ 14,200,000	4.28%	\$1,890,000 to \$2,615,000	\$ 11,466,500
Total NDUS				<u>\$ 11,466,500</u>
Total Bonds Payable	<u>\$ 272,072,000</u>			<u>\$ 190,625,206</u>



**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**Financial Information for Revenue Producing Buildings (Unaudited)**  
(as Required by ND Century Code 15-55-20)

	<b>Bismarck State College</b>	<b>Dickinson State University</b>	<b>Lake Region State College</b>	<b>Mayville State University</b>	<b>Minot State University</b>	<b>Minot State University Bottineau</b>
Operating Revenues	\$ 3,118,571	\$ 2,682,279	\$ 1,170,968	\$ 1,575,029	\$ 4,928,006	\$ 347,017
Operating Expenses	2,954,386	2,477,026	1,064,037	1,555,174	4,764,274	325,549
Net Operating Revenues	<u>\$ 164,185</u>	<u>\$ 205,253</u>	<u>\$ 106,931</u>	<u>\$ 19,855</u>	<u>\$ 163,732</u>	<u>\$ 21,468</u>
Pledged Fees	86,040	103,875	63,142	89,952	15,927	-
Investment Income	198,445	-	14,546	7,404	25,725	-
Debt Service Grants	12,218	-	23,170		-	-
Capitalized Interest						
Net Revenue Available for Debt Retirement	<u>\$ 460,888</u>	<u>\$ 309,128</u>	<u>\$ 207,789</u>	<u>\$ 117,211</u>	<u>\$ 205,384</u>	<u>\$ 21,468</u>
Current year Debt Service						
Principal	\$ 150,000	\$ 45,000	\$ 60,000	\$ 105,000	\$ 501,375	\$ 22,000
Interest	221,395	38,526	41,599	12,651	405,654	7,935
Total Debt Service	<u>\$ 371,395</u>	<u>\$ 83,526</u>	<u>\$ 101,599</u>	<u>\$ 117,651</u>	<u>\$ 907,029</u>	<u>\$ 29,935</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2007**

**Financial Information for Revenue Producing Buildings (Unaudited) - Continued**  
(as Required by ND Century Code 15-55-20)

	<b>North Dakota State College of Science</b>	<b>North Dakota State University</b>	<b>University of North Dakota</b>	<b>Valley City State University</b>	<b>Williston State College</b>	<b>Total</b>
Operating Revenues	\$ 7,708,166	\$ 34,916,538	\$ 24,898,131	\$ 2,349,203	\$ 172,866	\$ 83,866,774
Operating Expenses	7,242,028	31,163,210	20,236,034	1,858,241	118,430	73,758,389
Net Operating Revenues	<u>\$ 466,138</u>	<u>\$ 3,753,328</u>	<u>\$ 4,662,097</u>	<u>\$ 490,962</u>	<u>\$ 54,436</u>	<u>\$ 10,108,385</u>
Pledged Fees	98,797	3,524,211	2,429,926	-	-	6,411,870
Investment Income	27,079	118,909	420,372	21,968	-	834,448
Debt Service Grants	83,624	24,409	49,212	23,714	-	216,347
Capitalized Interest			2,000,256			2,000,256
Net Revenue Available for Debt Retirement	<u>\$ 675,638</u>	<u>\$ 7,420,857</u>	<u>\$ 9,561,863</u>	<u>\$ 536,644</u>	<u>\$ 54,436</u>	<u>\$ 19,571,306</u>
Current year Debt Service						
Principal	\$ 230,000	\$ 1,240,000	\$ 2,413,125	\$ 90,000	\$ 20,000	\$ 4,876,500
Interest	90,585	2,316,033	3,802,072	189,567	5,430	7,131,447
Total Debt Service	<u>\$ 320,585</u>	<u>\$ 3,556,033</u>	<u>\$ 6,215,197</u>	<u>\$ 279,567</u>	<u>\$ 25,430</u>	<u>\$ 12,007,947</u>